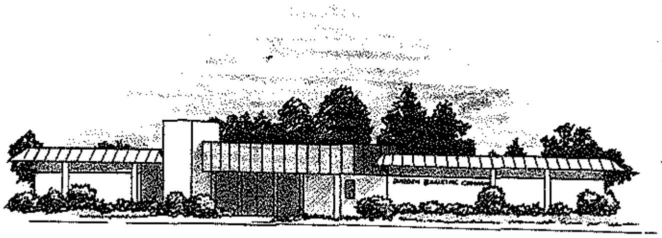

DURDEN BANKING COMPANY
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G.W. JOHNSON, JR.
President & C.E.O

October 19, 2012

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
comments@FDIC.gov
Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gov
Basel III Docket No. R-1442

Office of the Comptroller of the Currency
regs.comments@occ.treas.gov
OCC Docket ID OCC-2012-0008, 0009, and 0010

Re: Basel III Capital Proposals

Dear Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. I thank you for taking the time to listen to my concerns. While I support your efforts to improve standards for banking organizations in the United States, I am concerned over the broad approach taken by the Federal Deposit Insurance Corporation together with Board of Governors of the Federal Reserve System and the Office of the Comptroller to impose a "one-size-fits all" on financial institutions of all sizes, including our small community banks.

Durden Banking Company is a $165 million community bank located in southeast Georgia and headquartered in Twin City, Georgia, a town of less than 1500 people. We are a well capitalized (Tier 1 Leverage Ratio of 11.99%) full service commercial bank serving our market in rural Georgia with three locations. We were founded in 1935 and have always tried to address the needs of our community. Due to all the new regulations, it is becoming more difficult to serve our community's needs.

It is my opinion that proposed Basel III Regulatory Capital Rules in conjunction with other existing and proposed regulations jeopardizes the viability of community banking. Community banks are the primary source of credit to small business borrowers, and those businesses create the majority of new employment opportunities and economic activity in the country. Basel III was designed to apply to the largest, internationally active banks and not community banks. The proposal has a disparate impact on community banks whose access to the capital markets is limited in many cases. With additional regulatory cost, legislative and regulatory mandates impacting revenue opportunities, lower loan demand in the marketplace due to the economic slowdown and the low interest rate environment, earnings are understandably under stress. Higher capital requirements and additional expenses will only exacerbate these problems, making the attraction of new capital with the promise of more risk and a lower return on equity a difficult proposition.

Please see my specific comments and concerns regarding the Basel III Capital proposals below.

Accumulated Other Comprehensive Income (AOCI)

As proposed, all unrealized gains and losses on available for sale securities (AFS) must "flow through" to common equity tier 1 capital. Therefore, if there is a change in the value of an AFS security, that change must immediately be accounted for in regulatory capital. If finalized as proposed, with the inclusion of unrealized losses of AFS securities in common equity tier 1 capital, rising interest rates (which are a certainty) would put downward pressure on bank's capital levels. **A 200 basis points increase in interest rates would negatively impact our bank's capital by $840,000 or 3.9%.** This could potentially cause our bank to reduce our growth or shrink our securities portfolio in order to maintain capital ratios at desired or required levels. While the bank could designate its securities portfolio as HTM and avoid the impact of Basel III AOCI, that would negatively effect liquidity and funds management and increase interest rate sensitivity.

These gains and losses do not need to be included in CET1.

Capital Risk-Weights for Residential Mortgages and Related Matters, High Volatility Commercial Real Estate (HVCRE), and Home Equity Lines of Credit (HELOCs)

The Agencies' proposals place new significantly higher capital risk weights on several categories of real property-secured loans. The proposals raise concerns, including the following:

Residential Mortgage Exposures Risk Weights
The proposal assigns risk weights to residential mortgage loans based on whether the loan is a "traditional" mortgage (Category 1) or a "riskier" mortgage (Category 2) and the loan-to-value ratio of the mortgage. Depending on the category and LTV ratio of a particular residential mortgage, the risk weight could increase from 50% to 200%. I would respectfully question whether or not a residential mortgage has a higher degree of risk based solely upon the loan having a balloon payment, an adjustable rate, or an interest only payment to warrant the substantial increase in capital risk weights that are proposed. We serve a rural market with many consumers unable to qualify for secondary market mortgage loans. Their homes are modest and the community bank loans fit their needs. Balloon notes have served our customers well for many years and allowed our bank to control our interest rate risk. Curtailing home loans to conserve capital will negatively affect the needs of our customers and the economic recovery.

High Volatility Commercial Real Estate (HVCRE)
Under the proposed standardized approach, each HVCRE loan in the bank's portfolio will be assigned a 150 risk weight. While certain types of CRE lending may pose a higher risk given today's economic environment, the Agencies' proposals impose a higher risk weight without considering any of the following mitigating factors: LTV ratio; dollar amount of loan; other commercial real estate assets of borrower; any guaranty; or other general risk-mitigating factors of a particular CRE loan request.

Home-equity Lines of Credit (HELOCs)
The proposal classifies all junior liens, such as home-equity lines of credit (HELOCs) as Category 2 exposures with risk weights ranging from 100 to 200%. In addition, a bank that holds two or more mortgages on the same property would be required to treat all the mortgages on the property – even the first lien mortgage – as Category 2 exposures. Thus, if a bank that made the first lien also makes the junior lien, the junior lien may "taint" the first lien thereby causing the first lien to be placed in Category 2, and resulting in a higher risk weight for the first lien. By contrast, if one bank makes the first lien and a different bank makes the junior lien, then the junior lien does not change the risk weight of the first lien.

No Grandfather Treatment for Existing Mortgage Loans
The proposed rules do not include any type of grandfather provisions. Thus, all mortgage loans currently on the bank's books will be subject to the new capital requirements. This will require bank staff to examine old mortgage underwriting files to determine the appropriate category and LTV ratio for each mortgage.

The bank has projected the above changes, if finalized in the manner proposed, to negatively impact capital by $4.1 Million or more than 19%.

Capital Conservation Buffers
Imposing distribution prohibitions on community banks with a Subchapter S corporate structure conflicts with the requirement that shareholders pay income taxes on earned income. Those banks with a Subchapter S capital structure would need to be exempt from the capital conservations buffers.

The proposed rules do not appear to have been designed for nor appropriate for community banks. In addition to the capital impact, the proposed rules would have a detrimental effect on the availability of credit for customers and the communities we serve. Therefore, I am respectfully requesting that the exclusion from Basel III originally promised to the community banking industry be re-instated, or that Basel III be repealed in its entirety.

Sincerely,

G. W. JOHNSON, JR.
President & CEO
Durden Banking Company, Inc.
Twin City, Ga.

GWJ/djw