BANK OF DADE

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October 15, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Ladies and Gentlemen:

I am the President and Chief Executive Officer of the Bank of Dade, located in Trenton, Georgia. I would like to indicate my concern over regulations concerning bank capitalization that have been jointly proposed by the Federal banking agencies. These proposed regulations are known in the banking industry as "Basel III" and the ""Standardized Approach".[1] Please accept my thanks for your consideration of my comments.

The Bank of Dade is a small traditional commercial bank that specializes in consumer and home loans to individuals and small and medium sized businesses. Most of our loans are made inside Dade County, which is a rural area in the far northwest corner of Georgia.

Generally, the proposed regulations are intended to raise capital levels for banks so that they might more easily survive hard economic times. While this may seem to be a desirable objective, the proposals as written are intended to address the circumstances of the major international and regional banks that have been so adversely impacted in the current recession. The proposals assume that all banks have the same business models and high level of resources, sophisticated management, access to capital markets. The proposals do not take into account the fact that community banks such as the Bank of Dade operate in a very different environment and in a very different fashion than the large international and regional banks. Consequently, the impact on community banks will be proportionally much more intense and much harsher than on the international and regional banks and will threaten the viability of the community banks.

Briefly, the proposed regulations would raise capital requirements, narrow the definitions of those items that are included in capital, tighten the regulatory capital treatment of assets widely held by

[1] *The proposals are titled: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

community banks, and make it much more difficult for the banks and associated holding companies to pay dividends on their stock. This scenario would make it much harder for community banks to comply with capital requirements and would demand a much higher and more sophisticated level of capital analysis, planning, and management than is currently available to most community banks.

As with all increases in regulation, these proposals have significant unintended implications. The increase in capital requirements will slow bank growth, loan growth, and profitability. Community banks have little or no access to capital markets and must rely on equity investment from individuals and groups of individuals and on retained earnings for most of their capitalization. Reduced profitability, slower growth, higher capitalization requirements, and restricted dividend payments will make community bank stocks much less attractive to investors and make it increasingly difficult for community banks to raise and retain outside capital, thereby slowing growth.

Slower growth means fewer loans made to both individuals and businesses, which in turn will slow job growth and impede the recovery of the Dade County community from the current recession. Restricted lending also leads to reduced earnings, which will result in lower retained earnings and capital and lower return to investors. Further, the proposed regulations will require each bank to implement a much more extensive, complex, and costly program of regulatory compliance and capital analysis and management than is now required. This will require more management resources and higher costs than most community banks now devote to this area. Institutions such as the Bank of Dade have limited resources that can only be stretched so far. Remember that every dollar diverted to these compliance efforts is a dollar diverted from lending, and thereby restricting the availability of credit and slowing job growth in our community. Of significant concern is the fact that the prospective regulations will make it much less attractive for community banks to make and hold popular varieties of home loans and this development will reduce the availability of credit for construction and purchase of housing.

Finally, I would like to emphasize that the banking industry, and community banks in particular, are already drowning in overregulation and cannot afford the increased costs and diversion of management resources that will be caused by these new regulations. The regulatory burden on community banks is already so great that most of these institutions are barely able to operate effectively as it is. I am convinced that if the current mounting trend of strangling regulations continues, there will be a wave of bank consolidation that will wipe out community banking and replace it with a network of major regional banks and super-regional banks. This development would destroy the American tradition of community banking and would greatly reduce the availability of credit in smaller rural communities. I fail to understand how this could be a positive change for the Bank of Dade, the people of Dade County, or for this country as a whole.

Again, thank you for your consideration of my comments.

Sincerely,

J. Michael Tate

J. Michael Tate
President and Chief Executive Officer

cc via Email:

Senator Saxby Chambliss

Senator Johnny Isakson

Congressman Tom Graves

Georgia Banking Commissioner Rob Braswell