GBC GEORGIA BANKING COMPANY

October 19, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Delivered via email regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
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Office of the Comptroller of the Currency
250 E. Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
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Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for your interest in our comments regarding the Basel III Proposals recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Georgia Banking Company, founded in 2001, is a Georgia bank headquartered in Atlanta, Georgia. We are approximately $300mm in asset size and offer both traditional community banking and substantial consumer mortgage origination and consumer mortgage warehouse capabilities to the marketplace. Despite our modest size, we play a significant role in the housing industry by originating or facilitating over $3.8 billion in single family home financings over the last twelve months.

We are concerned about Basel III at an overall level relative to its applicability to U.S. community banks in the context of it having been developed to respond to perceived issues in the largest U.S. and European banks. To our knowledge, Europe has no history of community banking, and the differences between U.S. money center banks and its community banks are vast.

Our specific concerns include:

1. Issue: Requiring Unrealized Gains and Losses to Flow through Capital

The change will depress current capital levels or cause banks to shrink investment portfolios or attempt to raise additional capital. As to the last option, we have been in the capital seeking mode recently and can report that capital is either not available, prohibitively priced, or only available from entities whose interests are short term and perhaps not consistent with community benefit.

This rule will also increase earnings volatility and distort its accuracy versus the actual business operations of the banks.

All of **these factors will tend to depress banks' capacity and willingness to lend**, which creates a dampening effect on both small business and housing.

We ask that this requirement be reconsidered for community banks.

2. Issue: Elimination of Trust Preferred

The requirement that this capital be replaced over ten years creates a very substantial capital outflow in an environment in which, as stated earlier, capital availability is poor overall, and becomes even worse when sourced to fill a capital hole created by regulatory fiat as opposed to opportunity for growth. Our company, though not yet within the applicable asset band of 500MM-15B, would nonetheless be effectively blocked from using TRUPS as a capital strategy in any growth scenario. That observation applies, of course, to all community banks below the minimum.

We suggest that existing Trust Preferred Issues be grandfathered from this provision. Secondly, we encourage regulators to proactively support new capital solutions and approaches as appropriate so that the regulated entities have optimal and competitive access to capital and thus growth. Through that growth, the community banks can maximize the fulfillment of their traditional roles and missions within their communities.

3. Issue: Increased Risk Weighting for Residential Mortgages

This requirement further burdens what, for the community banks, has been an excellent asset class from a risk perspective. In addition, as written, the requirement is that risk assessment will have to be done at an individual loan versus asset class level, which will be cumbersome and expensive. Finally**, the measure will depress mortgage loan availability overall**, and particularly within categories where the contemplated transactions are negatively affected by such approach.

4. Issue: Requirement to Hold Capital for Rep and Warranty Risk for Sold Single Family Mortgages

Our company, as a single family mortgage originator who sells its originations to institutional investors, understands rep and warranty risk and can attest that the proposed rule completely overstates the risk, and will require unreasonable amounts o f additional capital. **To the extent that most small banks**

will likely exit this business, the rule will result in leaving consumers to the mercy of a monopolistic small group of very large banks. Prices will increase; availability will decrease.

As a specific example of the risk in the rep and warranty arena, our Bank has, since 2003, originated 4,683 retail mortgages for resale in the amount of $1.1 billion, and has not had a single buyback.

We suggest that regulators test practitioners for actual experience in order to size the risk and then set appropriates guidelines.

5. Issue: Change in Risk Ratings for Second Mortgage and Home Equity Loans

This loan category is important not only as liquidity availability for deserving consumers, but also for its potential as collateral support for small business loans. **Increasing credit allocations will raise underwriting requirements and increase cost to the borrower, yet again decreasing credit availability in the community.**

We ask that banks be allowed to pursue appropriate risk assessment through their existing risk platforms, and then be judged on those efforts through the normal regulatory processes.

6. Issue: Proposal to Increase Risk Weights on Delinquent Loans

This measure adds, through the capital account, yet another layer of loss reserve against problem assets which have already been appropriately evaluated and reserved against via the risk management, accounting, and regulatory oversight processes. The measure casts doubt on the efficacy and effectiveness of each of those disciplines and their interplay and is, at best, redundant. It is also capital destructive and earnings destructive, and thus diminishes the capacity of community banks to accomplish their key missions.

We, like many community banks, have struggled through the economic and financial challenges of the last several years. We are now beginning to experience improved profitability through our hard work and the slow rebound of the banking industry, the housing industry, and the overall economy. Our customers, our employees, and our shareholders can now begin to see reward for their longstanding commitment and hard work. Enacting the Basel measures will substantially undo that good work for us and our peer banks.

We understand and agree that the way forward cannot be simply a repetition of the past, and that enlightened leadership from a combination of the industry and its regulators is essential. To that end, we have shared with you our opinion that the preponderance of **the Basel III initiative both fails to address past, present, and future issues facing the community banks, and, in fact, creates issues and roadblocks for the community bank sector which will do great harm to its members.** Its enactment will likely result in yet another round of poor bank performance, regulatory intervention, and the loss of key capital availability to consumers, small businesses, and the overall American economy.

We encourage you, as our collective regulators, to listen to your constituency and then to become advocates for, not adversaries of, that group. We are not suggesting that all missteps were on the part of the biggest banks, nor that community banks were blameless. Our view is that we, you, Congress, the Executive Branch, and the American consumer all played a role, and that we all have roles in the return to better circumstances.

We invite you to contact us at any time and in any capacity, and we are ready to visit with you on short notice. Thank you for your time and interest.

Sincerely,

R. Elliott Miller
President and Chief Executive Officer