



FARMERS STATE BANK

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August 10, 2012

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

RE: Basel III NPR Capital Proposal – FDIC and RIN 3064-AD95.

Dear Mr. Feldman:

Farmers State Bank, a \$47 million community state bank in Lumpkin, Georgia, would like to comment on the Basel iii Capital Proposals. Given the economic conditions of the regions and the country as a whole, we do not think it is a good time to consider fundamentally changing the way capital is calculated. We think that the impact on banks should be studied closer especially since the impact of the change is unknown. As to the calculation of Tier I Capital, we believe that all of the ALLL should be considered, not limited to 1.25 percent of loans. This is real dollar for dollar capital or earnings. When times improve, this limitation will be used to determine ALLL levels, not FASB 114 and FASB 5, if left limited to 1.25 percent of loans. The cost of software upgrades to calculated capital for call report purposes should be a consideration as well.

The section about a Capital Conservation Buffer will cause capital to dry up for banks. Ruin bank with a Sub "S" election, and generally weaken investment in banks. Curtailed dividend payments to investors will cause stock sales to decline. This section is too complex for small banks. We believe that for Community Banks, the present regulations should stay as they are. If a bank has a loss during a year, permission should be from the regulatory authority before a dividend is paid. Bonuses over a certain percentage of income should also receive regulatory approval.

How does this regulation change affect this bank specifically? First, the new regulation will require more capital in a time when capital is hard to raise. The cost of compliance and change in software and procedures will be significant. The capital conservation buffer will affect our bank by limiting dividends to our stockholders. Banks with a Sub "S" election will be required to convert to a regular "C" corporation.

Final thought, this regulation should be studied for impact on the industry as a whole and also the affect of small community banks.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "G. F. Blackburn", with a long horizontal flourish extending to the right.

Gary F. Blackburn
President