CITIZENS BANK OF AMERICUS

October 19, 2012

RICHARD A. WHALEY
President and CEO

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Comments@FDIC.gov
RIN 3064-AD95

Re: Basel III Capital Proposals

Dear Mr. Feldman:

Thank you for the opportunity to provide comments on the Basel III Capital Proposals recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Citizens Bank of Americus is a $230 million community bank headquartered in Americus, Georgia with three branches serving the Americus/Sumter County community and one branch serving the Preston/Webster County community. We are a well capitalized commercial bank offering traditional deposit and loan services in one of the most economically depressed regions in the United States.

We are very concerned the Basel III Capital Proposals will negatively impact our ability to serve our customers and communities by requiring us to accumulate and hold additional capital above our current "Well Capitalized Classification". We are also concerned about the burden that will be placed on our small bank to stratify our 1-4 family mortgage loan portfolio based upon the various factors set forth in the standardized approach for Risk-Weighted Assets.

The following comments reflect our estimates of the specific impact on Citizens Bank of Americus of the Basel III Capital Proposals:

Accumulated Other Comprehensive Income (AOCI):

Inclusion of AOCI in the Tangible Capital Ratio will create substantial volatility in our regulatory capital ratios. At 9/30/12 our AOCI totaled $472 thousand, however in an up 300 basis point scenario this moves to ($1.8) million despite maintaining a securities portfolio with an average life of 2.76 years, which is considered to be a portfolio positioned for higher rates.

Community banks will be forced to manage their securities portfolio in a manner to minimize the impact of unrealized gains and losses by placing their securities into HTM which is counter-productive to managing liquidity and interest rate sensitivity.

Revised Risk-Weighting Residential Mortgage Exposures

Basel III proposes a more stratified range of risk weightings for residential mortgage exposures. Specifically these loans would be split into two categories based on underwriting criteria and lien position and then further stratified based on loan to value.

Citizens Bank of Americus understands that deficiencies in loan underwriting and economic abuses by mortgage brokers were a contributing factor in the high level of loan defaults and foreclosures during the recent economic downturn. Our specific concern is the rule requiring that all 1-4 family mortgage loans be fully amortizing and have no "balloon payment" in order to qualify for preferential treatment from a regulatory capital perspective. All of Citizens Bank's 1-4 family mortgage loans are set up as amortizing loans but typically have a three, five or seven year balloon feature. This structure protects against interest rate risk, but also serves a risk management purpose since the balloon structure allows us to re-underwrite the credit at each maturity. Our residential mortgage lending model has worked very well for our bank for many years. Our total 1st & 2nd lien; open and closed end 1-4 family mortgage loans account for 25% of our total loan portfolio, and our five year loss history in this portfolio is less than 0.20%.

The higher risk weighting based on underwriting criteria and loan to valve for 1-4 family mortgage loans will increase our total "Risk Weighted Assets" by over $20 million, despite 1-4 family mortgage loans being one of the best performing sectors of our loan portfolio. It's difficult to rationalize how a loan secured by a 1-4 family home can carry a higher risk weighting than an unsecured loan simply because it has a balloon feature and LTV above 80%?

We believe that the regulatory agencies should withdraw the Basel III Capital Proposals in order to take more time to study the potential impact of various components of the Proposal. To the extent that the Proposals are not withdrawn, we believe the final rules should incorporate an exemption for community banking institutions.

We appreciate the opportunity to comment on the Basel III Capital Proposals.

Sincerely,

Richard A. Whaley
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