
From: Gary Petersen <garylsb@restel.net>
Sent: Wednesday, October 03, 2012 11:03 AM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

To Whom It May Concern:

Please accept this as our additional comments regarding the proposed Basel III capital regulations. The proposed requirements would have a dramatic negative effect on our bank. Our major concerns are as follows.

- We in North Dakota are in the midst of a booming economy due largely to oil exploration and production. Our bank's capital ratios are already being strained due to deposit growth and the inability to leverage that growth in a safe and sound manner. Our limited ability to raise capital, already being tested, would be exacerbated by the proposed rules. It is very likely we would have to sell our bank as the only option to survive.
- The proposed mark to market rules for investment securities could prove very harmful to our capital ratios. Due to abundant liquidity we are forced to invest heavily in the bond market. We choose to classify much of our bond portfolio as available for sale. Our philosophy is that this classification allows us the ability to re-leverage those assets in the future should that ability arise and also to provide a hedge against uncertain deposit stability in an oil boom economy that is uncertain in its longevity. While our bond portfolio now shows ample appreciation now, in a low interest rate environment, a rising rate environment would quickly result in bond portfolio depreciation that would undermine our capital significantly.
- Our residential real estate activity consists solely of conventional mortgages that we hold in our bank. In a rural area, you have to be nimble enough to make loans where down payments can be achievable by low to moderate income borrowers and where outside appraisals can be difficult to obtain. The proposed regulations would probably be the last nail in the coffin for our bank to provide those loans. If we are unable to serve that market there is little available for other options for our customers. A market that is already difficult to serve would ultimately have no providers.

I strongly urge the proposed Basel III regulations be narrowly tailored to fit the financial industry where it was originally intended, the largest banks. The smaller community banks in this country are already threatened by the huge burden of regulation. Basel III would further damage the community banks.

Thank you for your consideration.

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