

# The Citizens State Bank

at Mohall

Member Federal Deposit Insurance Corporation

Telephone (701) 756-6364 FAX 756-6366

P.O. Box 127

Mohall, ND 58761

October 19, 2012

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 Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am very concerned about many of the new proposals, but one that has especially caught my eye is the significantly increased risk weighting on certain types of residential homes.

We are an approximately a \$60,000,000.00 bank located in rural northern North Dakota. In our community we are a very important for financial development and growth. The community we serve has approximately 800 residents.

The larger banks do not want to lend in our area unless the loan is an absolute flawless loan application.

We currently have on our books approximately 7.1 million dollars in residential loans. A large majority of these loans are less than \$100,000.00 and have amortized schedules that are 15 years or less. Virtually 100% of these loans are 5 year balloons. These loans are not federally guaranteed. Our closing costs on these loans are usually less than \$250.00. We do not escrow on these loans.

According to what I have read these type of loans would be risk weighted at 200% versus where they are now. This would cause a large increase in our capital requirements.

We do not make a large amount on these loans as these loans are typically 50 basis points below the other loans that we offer.

My concern is that if the regulatory red tape gets too burdensome for these types of loans we may be forced to stop offering these of loans to our community. This would be a detriment to the area as it would be a hindrance to growth and development. I truly

believe that if we didn't offer these types of loans in our community a lot of these deals would not get done and/or the cost to the consumer would become much greater.

I have been making housing loans here for 21 years and we have never had to foreclose on a home. Obviously we know what we are doing.

One size regulations do not work. Please exempt small community banks from the Basel III requirements.

Sincerely,

Vance Undlin, VP  
Citizens State Bank at Mohall