

July 27, 2012

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

RE: FDIC – RIN 3064-AD96 (Standardized Approach NPR)

Dear Mr. Feldman:

My first concern with the Standardized Approach NPR is the amount of time that it would require to perform these calculations. We are a small community bank with a staff of five, and a 1-4 family residential mortgage portfolio of approximately \$5 million with an average loan size of \$50,000. This would involve significant time and resources each quarter to assign each loan its appropriate risk weight and category. I assume the FDIC would monitor this by the call report, which is already 71 pages in length. If you must have the separate risk weights, why not just use all 1-4 family 1st liens with a LTV at 80% or below get a 50% risk weight and all above 80% get a 100% risk weight.

My second concern is making balloon mortgages category 2 or 100% + risk weights. This will not only have significant impacts on community banks, but on the communities themselves. As I stated above, our small community bank holds approximately \$5 million in 1-4 family real estate loans, with all of them 5 year balloon loans. All of our loans are kept in house, and we have had no foreclosures in over 10 years. It should be also noted that over 90% of these mortgages are in our community and surrounding area. These are small mortgages with an average size of \$50,000, that are not going to be made by the mortgage centers. We do this as a service to our customers and communities, which will be eliminated if included as a Category 2 higher risk weight. These small loans are in small rural communities and usually to moderate - low income customers. I fear this will have CRA and fair lending issues, if we must eliminate this program because of Basel III. The five year balloons is the only way for our small community bank with limited resources to service our communities with 1-4 family mortgage loans and still maintain some interest rate protection. It seems strange to me that a 1-4 family 5 year balloon loan with a LTV of 81% has the same risk weighting as a high volatility commercial real estate loan at 90%. I do not know the statistics for community banks on average, but we have not had a foreclosure in over 10 years from our 1-4 family mortgage portfolio.

Sincerely,

Scott Selko, President
Bank of Mead
Mead, NE 68041