

From: Erick A. Gandrud [mailto:egandrud@eaglebankmn.com]
Sent: Friday, August 03, 2012 2:06 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-AD97

Basel III should not apply to small community banks. Our bank has total assets of \$110M in a town of 2500 population and approximately one third of our loans are residential real estate mortgages. As I understand the proposed new standards for Risk Weighted Assets, any 1 – 4 Family real estate loan with a balloon feature will be assigned a risk weight of 100%. As you are probably aware, virtually all of our real estate loans are written with a balloon to mitigate interest rate risk. We have been writing balloon real estate loans for decades without any adverse effect on the bank or our customers. Now to arbitrarily double the capital requirement for this type of loan will have negative consequences for all small banks like ours as well as the bank customers. The current capital standards for small banks provide good balance between safety and soundness and the ability to serve our customers.

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