

From: Mark Miedtke [mailto:mmiedtke@csbankmn.com]
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To: Comments
Subject: Basel III

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I would like this comment considered as to the Basel III proposals as they pertain to community banks. I have an issue with a number of areas of the proposal, but in this comment will address only one so as to make a point. The proposal will increase the capital requirements for residential balloon mortgages from the present 50% level to 200% while leaving most 30 year mortgages at 50%. My bank writes primarily 5 year balloon mortgages. Due to safety and soundness reasons we do not write and hold 30 year mortgages. In the last ten years we have had only one foreclosure on these balloon mortgages due to family issues-we did not incur a loss. Obviously the finance industry(not community banks) has incurred losses on 30 year mortgages. Why then am I being penalized for the losses incurred in a product I did not write, yet the product that created the losses is allowed to remain as a low risk product. Once again, community banks are being penalized by having to carry more capital for our in house loans that did not incur losses which is going to drive more business to financial conglomerates which created the problem in the first place. You've already initiated this step with your escrow requirements, but we have continued to write a few loans, now this effort may put us out of the mortgage business altogether.

Please consider this point and those made by the banking trade groups when you finalize your proposal.

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