July 25, 2012

Joseph Fritsche, Director
Logan County Bank
PO Box 76
Scranton, AR 72863
479-938- 7234

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

Dear Mr. Feldman:

The purpose of this letter is to respond to the NPR of FDIC and RIN 3064-AD95 & RIN 3064-AD96.

I am the Board Chairman at a small Community Bank in Arkansas and the passage of the above could be very detrimental to our bank. I was the previous President/CEO of Logan County Bank for over 50 years and saw the bank grow from $4 million in deposits to $55 million. The new proposed risk ratings on capital could be very disastrous. One risk rate, giving the most concern, is changing the risk rating on 1-4 family home loans.

One of the specific rules is that balloon notes on 1-4 family real estate with Loan to Value Ratios 80% or below will now be risk rated 100% instead of 50%.

We have 56% of our loan portfolio is these types of 1-4 family balloon loans.

We have 70% of our loan portfolio in real estate balloon notes

Our risk rates on these loans will jump to 100% affecting capital significantly.

This risk rating is very unjust for our bank and our area.

Our loan loss the last 3 years on 1-4 family dwellings is one tenth of one percent.

You can't use the Cookie Cutter approach on Small Community Banks since their footprints are different.

Many of our 1-4 family balloon notes would never conform to secondary market loan restrictions. This would in affect prevent many people in the rural areas from being homeowners and regulate them to renters. This would further hurt the economy if banks can't make rural home loans with the balloon feature.

Interest Rate Management requires banks to limit exposure by making balloon notes on real estate so interest rates can be adjusted periodically. You take away real estate balloon notes and we can't manage interest rate risk.

Basically the NPR will keep banks from keeping any home loans in their portfolio and all must be sold in the secondary market. Once again a substantial amount of these loans will not conform to secondary market restrictions. You are destroying rural America.

THESE BALLOON NOTES ON 1-4 FAMILY HOMES ARE SOME OF THE LEAST RISKY LOANS WE HAVE SINCE THE COLLATERAL VALUE DOESN'T DEPRECIATE LIKE OTHER COLLATERAL.
You are regulating small COMMUNITY BANKS out of business. They do not have the staff or money to comply with over regulation.

You say that TOO BIG TO FAIL is your main priority. You are just going to make those banks bigger by running small COMMUNITY BANKS out of business.
Banks under $500 million need to be exempted.

Sincerely yours,

Joseph Fritsche

Joseph Fritsche
Board Chairman