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July 31, 2012

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

RE: RIN3064-AD96 (Standardized Approach NPR)-OPPOSED

Dear Mr. Feldman,

I am writing to object to the change in risk rating 5 year balloon loans moving them from 50% to 100% risk rated. I believe that this is change in risk rating is a "one size fits all" approach and does not accurately reflect the risk in Residential loan portfolios contained in community banks.

Case in point. We are a $55,000,000 single unit bank located in Northwest Iowa. Our community is approximately 1,400 residents. Our residential real estate loan portfolio contains approximately $6,000,000 in loans. Approximately 85% of these loans are 5-7-10 year balloon loans with, in most cases, a 20 year amortization schedule. Over the years we have found that these type of balloon loans are sought after by borrowers in our community and are most suited to meeting their financial needs.

In reviewing our history regarding these loans I can report that in the last 25 years we have had to foreclose on two loans, one for $12,000.00 and one for $24,000.00. Our total loss on these loans was less then $5,000.00. Obviously our risk profile on this type of loan is pretty small!

Returning to my basic point. The "Standardized Approach" proposes to increase the risk weighting from 50% to 100% on balloon real estate loans. This will reduce my risk based capital from 12.50% to just over 11%. I need to ask, given our experience, what is it that leads you to believe that our risk exposure is suddenly greatly increased?

I respectfully submit that "one size fits all" rule should not be enforced on smaller community banks. I am aware of many community banks that have terminated residential real estate lending due to the increased regulatory burden. Additional rules such as this will only hasten the exit of more community banks from residential real estate lending. Please consider either dropping this proposal completely or at the very least flooring it at one billion dollars.

Respectfully submitted

James P. Cravens
President
Sanborn Savings Bank