

October 22, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation,  
550 17th Street, N.W.  
Washington, D.C. 20429

Re: Basel III Capital Proposals

Dear Regulators:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

The First National Bank of Gilbert is a small community bank located in northeastern Minnesota. We are a \$30 million bank engaged in the business of writing three year balloon mortgages, the mainstay of our loan portfolio. Our customers are given the choice of applying for our in-house mortgage products or a secondary mortgage option. In many cases, the only way we can help them with their needs is with our in-house three year balloon mortgage, as they, or the collateral, do not always qualify for secondary mortgage options. I mention this early in my letter as components of Basel III require us to put this bucket of loans in Category 2 loans which doubles the risk weighted percentages used in calculating capital requirements. Now I know there are many other factors used in the calculations, but I am extremely concerned with the eventual impact on our main mortgage loan product and the eventual elimination of this offering to our customers.

What is very disturbing is the "one size fits all" mentality as lawmakers move forward with Basel III. The First National Bank of Gilbert has not caused the problems we are facing today in this entire real estate mess our country is in, but will be required to conform to the same standards as financial institutions which did cause the problems.

Community banks such as ours are challenged today with so many burdensome regulations while attempting to remain profitable in a very difficult economy. Fortunately, The First National Bank of Gilbert has remained strong during this time due to very conservative policies. Our earnings are very low but due to our lending and community strengths, we've managed our credit portfolio very effectively. Our bank has been a family owned bank since the early 1900's and it causes me great concern to know that our main economic barrier is overregulation by the government.

In closing, I could have elected to cut and paste the talking points supplied by our banking associations to get my point across, but thought it best to use my own words to describe what I think is extremely radical legislation for small community banks such as ours. It's my hope and goal to continue this family and banking tradition for more generations to come and would ask for your help in achieving this goal; not stand in the way.

Please feel free to contact me should you wish to discuss this further.

Sincerely yours,

Matthew C. Uhan, CPA  
Chief Financial Officer