experienced a severe decline in value. The Company agreed to reduce the outstanding loan balance to $250,000 in exchange for a $50,000 principal payment in 2011 with the remaining $200,000 to be received during the first quarter of 2012. The Company had charged-off $141,000 of the loan during 2010 and an additional $208,000 during 2011, with the remaining $200,000 loan balance classified as non-accrual and impaired as of December 31, 2011. The loan was paid off during the first quarter of 2012. Another loan relationship totaling $110,000 to a municipal sanitary and improvement district was also restructured in 2011 to extend the maturity and lower the interest rate to allow the district more time to develop the taxable valuation that will provide cash flow for repayment of the loan. The loan was returned to accrual status during 2012 after a payment history was established. The outstanding balance of $98,000 was current and accruing interest as December 31, 2012, but still classified as impaired. The restructuring did not impact our allowance for loan losses. Also during 2011, a one-to-four family residential real estate loan totaling $10,000 was classified as a troubled debt restructuring as a result of the customer receiving a zero interest rate loan. The balance on this loan at December 31, 2012 was $8,000. This loan was classified as impaired as of December 31, 2012 and December 31, 2011.

During 2010, the Company restructured two loan relationships that were identified as TDRs. One of the relationships was an $853,000 real estate loan which was secured by real estate which was deficient based on the appraised value. The relationship was restructured into two 1-4 family residential real estate loans to a borrower who was experiencing financial difficulty and to whom the Company granted concessions at renewal. The value of the real estate supported $563,000 of the loan relationship. The $290,000 collateral deficiency of the real estate had previously been included in the allowance on impaired loans. The loan was returned to accrual status during 2010 after a payment history was established, while the collateral deficiency was charged-off. After the death of the borrower during 2012, the loan was placed back on non-accrual until the estate is settled. The outstanding balance of the loan was $485,000 and $518,000 at December 31, 2012 and December 31, 2011, respectively. A second loan relationship totaling $527,000 to another municipal sanitary and improvement district was restructured in 2010 to extend the maturity and lower the interest rate to allow the district more time to develop the taxable valuation that will provide cash flow for repayment of the loan. As of December 31, 2012 and December 31, 2011, the outstanding balance of the loan was $543,000. The restructuring did not impact the allowance for loan losses. This loan was current and accruing interest at December 30, 2012 and 2011, but still classified as impaired.

The Company evaluates each TDR individually and returns the loan to accrual status when a payment history is established after the restructuring and future payments are reasonably assured. There were no loans as of December 31, 2012 that had been modified as TDRs and then subsequently defaulted. At December 31, 2012, there was $15,000 of commitments to lend additional funds to a land loan classified as a TDR. There were no commitments to lend additional funds to any other borrowers whose loan terms have been modified as a TDR at December 31, 2012. As of December 31, 2012, the Company had $521,000 of allowance recorded against loans classified as TDRs compared to $5,000 recorded at December 31, 2011. The following table presents information on loans that are classified as TDRs:

*(Dollars in thousands)*

| | As of December 31, 2012 | | As of December 31, 2011 | |
|---|---|---|---|---|
| | Number of loans | Loan balance | Number of loans | Loan balance |
| One-to-four family residential real estate | 2 | $ 493 | 2 | $ 528 |
| Construction and land | 7 | 7,077 | 1 | 200 |
| Commerical loans | 2 | 196 | - | - |
| Municipal loans | 2 | 641 | 2 | 653 |
| Total troubled debt restructurings | 13 | $ 8,407 | 5 | $ 1,381 |

The Company services one-to-four family residential real estate loans for others with outstanding principal balances of $263.5 million and $183.3 million at December 31, 2012 and 2011, respectively. Gross service fee income related to such loans was $550,000, $429,000 and $371,000 for the years ended December 31, 2012, 2011 and 2010, respectively, and is included in fees and service charges in the consolidated statements of earnings.

The Company had a mortgage repurchase reserve of $418,000 and $500,000 at December 31, 2012 and December 31, 2011, respectively, which represents the Company's best estimate of probable losses that the Company will incur related to the repurchase of one-to-four family residential real estate loans previously sold or to reimburse investors for credit losses