From: <u>tgerman@fmbankia.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivatives Instruments and Hedging Activities"

Date: Monday, September 13, 2010 9:53:17 AM

Tim German 2830 Rosebay Ct Cedar Rapids, IA 52411-4701

September 13, 2010

Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

Mr. Golden,

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Executive Vice President of Farmers & Merchants Savings Bank, a banking institution in Manchester, Iowa with \$270 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

I respectfully request that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

Changing the way interest income is recorded to the proposed method makes

the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Given the concern over the current recession, credit is certainly tight. I believe that these proposals would have an adverse effect on our and many other institutions willingness to provide credit.

I appreciate the opportunity to provide my input. Thank you for your consideration.

Sincerely,

Tim German 319-366-8681