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BRENT R. OLTHOFF Senior Vice-President, Chief Financial Officer, and Treasurer

September 29, 2010

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Via e-mail: director@fasb.org File Reference No. 1810-100

Dear Mr. Golden,

Home Federal Bank is a \$1.2 billion community-driven bank based in South Dakota, providing a broad array of banking and financial services to consumers, small businesses, and agricultural and commercial clients. We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update ("Proposed ASU"), Financial Instruments (Topic 825), Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

We do not believe that the Proposed ASU will achieve the objective of providing an improved and consistent financial reporting model for the presentation of financial instruments in an entity's financial statements. Fair value is a point-in-time measure that reflects current market risks in financial instruments that may never be realized if the financial instrument is not actively traded. We believe that amortized cost should be permitted for certain instruments such as loans intended to be held to maturity and core deposits. No reliable active markets exist for certain loan products or core deposits, and certainly any type of fair value assigned would not be consistent for investor presentation based upon differences of subjective modeling assumptions. Regional differences can and do exist especially as it relates to commercial and agricultural loan pricing and structure. We fail to see the value to investors in displaying this information which may only serve to mislead users and become outdated soon after the measurement date.

We support amortized cost as the only feasible option for core deposits. Again, inconsistency of fair value inputs will vary from institution to institution and geographies. We question how investors will perceive value of this information in our financial statements, and retain any reasonable expectation of comparability amongst financial institutions.

We believe that the Proposed ASU will dramatically disrupt the traditional banking model and the product offerings made available to our communities. For most community banks, the basic business model is to originate and hold loans to maturity. Long-term loan portfolios are not normally managed on a fair value basis. Increased volatility within the balance sheet will likely deter institutions from offering longer-term fixed rate financing to borrowers. Fair value accounting of loans will have the effect of reducing the funding options to borrowers in order to minimize the short-term volatility of loan portfolios and the affect to other comprehensive income or net income. Community banks such as ours continued to lend during this financial crisis and it would be regrettable to impede the economic recovery further by adopting the Proposed ASU which could limit lending activities in our communities.

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We recommend that FASB considers dropping the Proposed ASU to report loans, deposits and other financial instruments at fair value. We believe that mark-to-market accounting will cloud transparency rather than improve it, lead to higher operational costs, and is not representative of true long-term financial performance.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Brent R. Olthoff Senior Vice-President, Chief Financial Officer and Treasurer