1810-100 Comment Letter No. 1735

From: <u>tschueler@bankatcsb.com</u>

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

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

Derivative Instruments and Hedging Activities" Exposure Draft

Date: Monday, September 20, 2010 9:27:54 AM

Timothy Schueler 1250 West Washington Avenue Cleveland, WI 53015-1425

September 20, 2010

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

Dear Mr. Golden:

September 20, 2010

My name is Timothy Schueler, President and CEO. First, thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. Our bank, Cleveland State Bank, located in Cleveland, WI with just under \$80 million in assets would find this regulation extremely detrimental and onerous.

Therefore, I am writing to urge FASB to not go forward with the proposal.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and I believe other community banks.

Our bank is rural in nature focusing on agricultural, small business and primary home lending. Our primary business is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. Our business model is to fund our operations by taking deposits and holding loans for the long term. These financial instruments that we hold are not readily marketable which will add to the difficulty in complying with this rule.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis.

We are conservative community bankers see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment. It is prudent in my mind for the safety and soundness of our bank to have flexibility to "put money away for a rainy

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day". I believe that recent market conditions have proven that when accounting standards are pro-cyclical cause a spiralling effect of write-downs and sales.

Finally, by our bank having to adhere to this rule will increase the volatility of our balance sheet, forcing us to face higher capital requirements thus reducing our ability to meet the credit needs of our community.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

Timothy C. Schueler 920-693-8256