

From: spetrich@citizensfnb.com
To: [Director - FASB](#)
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 10:03:09 AM

Scott Petrich
PO Box 1227
Storm Lake, IA 50588-1227

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:

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.

My name is Scott L. Petrich, Vice President of Citizens First National Bank of Storm Lake, Iowa. This is a \$198 million dollar bank in a rural market. Our loan portfolio is mostly loans to farmers and agricultural businesses. We provide loans for the citizens of our town and surrounding communities for vehicle purchases, home loans, and personal purposes. Our profitability has hinged on providing the best service to our customers for least cost. We have not been active sellers of loans other than fixed rate Fannie Mae home purchases. We do not have the staff to implement the proposed changes to accounting so we would be forced to outsource and pay the additional costs.

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 other community banks.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

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 also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

Fair value measurements will not provide a better understanding of the values of illiquid agricultural loans held by small banks in rural areas such as this bank.

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability.

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

Sincerely,

S
7127325440