1810-100 Comment Letter No. 2054

From: <u>bryan.grove@asbgrygla.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: Tuesday, September 21, 2010 10:43:19 AM

Bryan Grove PO Box 78 Grygla, MN 56727-0078

September 21, 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.

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 American State Bank and other community banks that typically make loans in their local markets and hold them within their loan portfolio. Few smaller banks initiate loans and other financial instruments with the intent to trade them.

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 , with an entire staff of nine people.

We oppose requiring institutions to record demand deposits at fair value, requirements for fair value calculation of loans held for long term, and fair value measurements for agricultural and small business loans made within our market area. Attempting to apply fair value standards to these type of loans would be costly, difficult, and likely not very accurate -as most of these loans are designed to meet the unique needs of the customer.

Conservative community bankers (and bank regulators) 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 absorbilosses and raise capital during times of economic difficulties, such as the current environment.

The proposed accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending during times when regulators and elected officials are calling for more capital & lending to small businesses. Our economy needs more, not less, credit availability.

The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements. The changes make no sense for typical community banks and WILL NOT serve any legitimate purpose in terms of financial reporting.

The burden of this requirement would be onerous for small banks like ours with limited human resources or expertise in fair value accounting.

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

Sincerely,

Bryan Grove 218-294-6111