From: <u>briann@woodlandbank.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: Friday, September 24, 2010 11:53:39 AM

Brian Nicklason P.O. Box 190 Remer, MN 56672-0190

September 24, 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. If implemented, I believe it will greatly restrict our ability to serve or communities credit needs. Moreover, it will have the impact of greatly stretching our resources and therefore limit our ability to remain profitable.

Woodland Bank serves 7 rural Minnesota communities. Along with many other community banks in the area we have been hit hard by the recession particularily in the forest products industry along with the retail sector. The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks during a time when we have already been hit hard by declining real estate values. Woodland Bank funds our 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.

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.

I cannot underscore enough that community banks such as Woodland Bank create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market. 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.

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 absorbing losses and raising capital during times of economic difficulties, such as the current environment. The impact of this requirement will cripple our ability to raise capital.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

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.

It is obvious that we will face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

Thank you for this opportunity to comment on this life-threatening and ill conceived proposal.

Sincerely,

Brian Nicklason 218 566-2355