From: cjohnson@rootriverstatebank.com
To: Director - FASB
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Thursday, September 16, 2010 1:33:04 PM

Charles (Jr.) Johnson
18 SE 3rd Street, P.O. Box 517
Chatfield, MN 55923-0517

September 16, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." This issue is very important to me as well as the rest of the banking industry.

As President and CEO of the Root River State Bank of Chatfield and The First State Bank of Fountain, banking institutions in Chatfield and Fountain Minnesota respectively, with $90,000,000.00 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet. This proposal would be very problematic for our banks, as the market for agricultural loans is suspect at best, which would make determining the market value for the majority of our loan portolio very difficult, if not impossible. This portion of the proposal would be one more effort to drive small banks like ours out of the industry. I will not stand by the side of the road and have my business turned into a government utility. We do not sell our loans into the secondary market and this proposal is unnecessary for banks fitting our profile.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

507-867-4120
President & CEO
Root River State Bank and The First State Bank of Fopuntain

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