

From: jed@statebankofrichmond.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 2:43:07 PM

James Doll
22 Central Ave. So.
Richmond, MN 56368-8178

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."

As President and CEO of the State Bank of Richmond, Richmond, Minnesota, with assets of approximately eighty-five million dollars, I am writing to express my concern on a specific issue of the draft, namely, FAIR VALUE.

I strongly oppose the proposal requiring all financial instruments - including loans - to be reported at fair value, or market value, on the balance sheet.

Our bank and most other small community banks do not sell commercial loans. Basing our balance sheet on fair values could lead readers of our financial statements to assume that we sell the loans which is not the case. If there are issues with a borrower's ability to repay a loan we work with the borrower through the collection process rather than selling the loan.

There is no active market for many of our loans so estimating a market value makes no real sense for loans that would never be sold.

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.

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. Small banks are already at the brink of being forced out of existence due to high cost of complying with regulations. This proposal would just add another nail to the coffin of community banks.

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

Thank you for considering my comments.

Sincerely,

320-597-2145
Pres.
State Bank of Richmond