1810-100 Comment Letter No. 1968

From: kstorbakken@ashtonstatebank.com

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: Monday, September 20, 2010 5:37:57 PM

Kevin Storbakken P.O. box 278 317 3rd Street Ashton, IA 51232-0278

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.

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 Ashton State 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 have a total of 6 people on staff and additional regulations to follow could force our bank to have to hire additional staff. Which would reduce the profits. The ownership could then be forced to sell to a large banking organization. I think our current economic problems have not been cause by problems in small banks.

We oppose requiring institutions to record demand deposits at fair value.

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. Agricultural operating loan for crop inputs would

become more difficult for a bank to offer borrowers. A bank would have to have additional capital every spring to offer input loans, This type of loan is always illiquid at the beginning of the crop season. Crop Insurance does some to protect the bank against crop losses, but would only protect the bank to the level of insurance. The input costs for a farmer are generally over the guaranteed levels available with crop insurance.

One of my personal feelings about additional regulations does not help the average bank customer. Bankers become more concerned about meeting the regulations then trying to help the customers meet their financial needs.

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

Sincerely,

Kevin Storbakken 712-724-6326