

**From:** [scott@heartlandstatebank.com](mailto:scott@heartlandstatebank.com)  
**To:** [Director - FASB](#)  
**Subject:** Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft  
**Date:** Thursday, September 23, 2010 3:13:21 PM

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Scott Tewksbury  
PO Box 68  
Edgeley, ND 58433-0068

September 23, 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 Scott Tewksbury, the president of Heartland State Bank, a small \$55 million asset bank located in a rural agricultural area of North Dakota.

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 our bank and other community banks. There exists no secondary market in our area for the vast majority (90%+) of loans we make. Any valuation estimated is likely to vary wildly and offer no further insight into the value of assets held by the bank than the current methodology does. We hold virtually all loans until paid contractually or before, selling none into a secondary market.

We already face competition from unregulated and untaxed lenders like the farm credit system and the additional expense burden imposed by this proposed accounting change will be significant, even the more so given the lack of market data for pricing assets and liabilities in our area. We are already approaching the point where the unequal burdens between regulated and unregulated financial firms may destroy the business model of small banks and create havoc for rural communities and the bank's customer.

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 also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

The expanded reporting of comprehensive income is unnecessary, confusing

and of little use to most financial statement users.

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 cyclicity in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

Sincerely,

Scott Tewksbury  
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