1810-100 Comment Letter No. 1996

From: gdrobins@pilotgrovesavingsbank.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: Tuesday, September 21, 2010 1:31:05 AM

George Robinson 1341 Pilot Grove Rd., PO Box 5 Pilot Grove, IA 52648-0005

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 Pilot Grove Savings Bank and other community banks. Establishing fair values for the types of loans held by many community banks like our bank in Southeast Iowa would be costly and result in data of questionable reliability.

The expanded reporting of comprehensive income is unnecessary, confusing and of little use to most financial statement users as we are a small closely held subchapter S corporation with no publicly issued financial statements other than regulatory reports.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds such as agricultural operating loans and lines of credit, are not readily marketable. 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.

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 oppose requiring institutions to record demand deposits at fair value as there is no easy reliable method for determining this and is usually criteria is usually driven by the local market.

Community banks such as this 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.

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.

These accounting changes will increase the volatility of bank balance sheets, forcing them to 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.

Again, I thank you for the opportunity to comment on this proposal.

Sincerely,

George Robinsonm CPA, Controller/Cashier 3194693951