From: <u>bgrave@unionfargo.com</u>

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 2:43:11 PM

Brian Grave 4530 17th Ave S Fargo, ND 58103-8991

September 21, 2010

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

Dear Mr. Golden:

Mr. Golden,

My name is Brian Grave and I am the Chief Financial Officer for Union State Bank in Fargo, North Dakota. We are a \$62 million community bank doing business in the combined metropolitan areas of Fargo, ND, West Fargo, ND, and Moorhead, MN. All told the population we serve is just over 100,000 people so not a large community but a strong one.

I am writing to urge FASB to not go forward with the proposal. As a community bank in the Midwest we are in the business to help our customers reach their financial goals. We facilitate a strong local economy by helping many small business owners get the capital they need to stay operating and grow their businesses. We help consumers buy homes, vehicles, and the occasional toy now and then working with them to manage their finances in a responsible manner.

We do not trade assets. The majority of our assets are held to maturity and we collect the contractual cash flows. Even our investment portfolio is primarily held to maturity even though we classify it as AFS. We use it as a source of liquidity, not trading earnings.

I disagree and 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 only one person on staff capable of making these kinds of calculations. The burden to our bank would be overwhelming, especially given the current regulatory environment.

Fair value measurements on loans that are held to term are irrelevant to the financial statement reader. I also believe fair value measurements of demand deposits would be highly speculative and create huge variances and inaccuracies. We are a closely held financial institution with local farmers and some professionals as shareholders. The requirement for fair value reporting provides very little useful information to our investor group and would not highlight risks in our balance sheet any better than

our current reporting does.

In truth, fair value reporting would only add to the confusion that our shareholder group has in trying to understand the inherit risks in our balance sheet. While I can see the value of these changes for institutional investors buying equity in large and complex financial institutions, these individuals make it their business to read complex financial statements and determine the risks from that information. These standards do not apply to us, will provide no value to our shareholder group, and only serve to drive up our cost to do business thus reducing the value of their equity.

With the currently overzealous stance by bank regulators the pressure on capital and restrictions on lending are tremendous. These measures would only exacerbate the problems for banks like ours and restrict lending further.

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

Sincerely,

Brian Grave 7015261140