

**From:** [sperra@bankofzumbrota.com](mailto:sperra@bankofzumbrota.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:** Wednesday, September 22, 2010 2:55:17 AM

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Sandy Perra  
PO Box 8  
Zumbrota, MN 55992-0008

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:

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 our bank and other community banks.

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 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.

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability.

Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment.

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.

These proposed changes in accounting could result in the loss of many Community Banks at a time when our communities need their Bank to help strengthen the local economy. Along with the loss of their Bank,

communities would also have to deal with the loss of jobs of Bank employees.

A Community Bank is the backbone of many communities. The individuals, families and holding companies who own these Banks take great pride in supporting local businesses and providing these very necessary services to all of their customers. By making an accounting change of this magnitude, you are jeopardizing the ability for individuals to continue to own our Community Banks. It appears that this move would push our Banking system into ownership by government. Our government was not developed to take ownership in businesses meant to be owned and operated by individuals, families and holding companies. We are a democratic nation that was built on the premise of free enterprise and that government should govern, not take ownership of business.

My name is Sandy Perra, owner and employee of Bank of Zumbrota. Our Bank is strong, well managed and well capitalized with an asset size of \$120 million. We are located in the small community of Zumbrota, Minnesota which is comprised of small businesses and surrounded by some of the best farming land in our country. With a staff of 50 employees and two locations, we very busy servicing our customers needs using the best technology afforded by our size. These additional burdens, proposed to be implemented by government, only serve to remove our employees from servicing customers and causing them to waste time with needless and useless paperwork and accounting. But what is most worrisome for our owners and employees, is the idea that this proposal could end our Bank's legacy of sound Banking practices and outstanding customer service. Our family has taken great pride in it's Banking history of the past 40 years.

Please consider carefully what effect your decision could have on the world of Community Banking and our family's investment of money, time and commitment to our Community.

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

Sincerely,

Sandy Perra  
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