

**From:** [dbehl@fmsbscotland.com](mailto:dbehl@fmsbscotland.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 5:25:44 PM

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Dick Behl  
550 Main Street  
Scotland, SD 57059-0367

September 22, 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.

My name is Dick Behl. I am the President and CEO of Farmers and Merchants State Bank. Our bank is a small family owned bank with assets of 24 million located in the community of Scotland, SD, a town of 900 people. We are celebrating 90 years of community banking this year.

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 the proposed accounting treatment for core deposits, demand deposits, and for loans 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. We are a small community bank with a staff of nine employees. The cost of having third party products to do this along with our limited staff numbers would make this requirement virtually impossible.

The majority of our loans made which are Ag loans are all held within the bank. We do not sell any of them for liquidity purposes. Therefore 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 at Farmers and Merchants State 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.

I 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.

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

Sincerely,

Dick Behl  
605-583-2234