1810-100 Comment Letter No. 2624

From: gmpmike@fmbspringfield.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: Monday, September 27, 2010 10:28:19 AM

Gordon M. Pieschel P. O. box 126 Springfield, MN 56087-0126

September 27, 2010

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

Dear Mr. Golden:

Mr. Russell Golden, Technical Director Financial Accounting Standards Board

Gentlemen:

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 G. M. Pieschel, and I am Chairman of the Farmers & Merchants State Bank in Springfield, MN. Our bank asset size is \$102 million and we are a rural agricultural bank, with approximately 85% of our loans directly related to farming.

I am writing to urge FASB to not go forward with the proposal.

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 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.

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.

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.

Small rural banks, such as ours, have very limited resources to implement this proposal, and while we cannot mark to expanded costs of doing so, we do know that it will be very significant.

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.

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

Sincerely,

Gordon M. Pieschel 507-723-4800