From: dsmith@fnbelkhart.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: Tuesday, September 28, 2010 12:33:14 PM

Daniel Smith Box 1000 Elkhart, KS 67950-1000

September 28, 2010

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

Dear Mr. Golden:

I am the Sr. Vice President of a Small commercial bank in Elkhart, Kansas. We are a \$67 million dollar bank celebrating our 25th year in business this year. We are predominatly an agricultural bank with the majority of our loans for the production of corn, wheat, milo and livestock.

Thank you for the opportunity to comment on FASB's exposure draft.

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.

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.

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.

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.

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.

Please keep in mind the "banking crisis" wasn't created by small commercial banks. We are conservative by nature. We take deposits, such as checking, savings and cd's and lend it back out to local borrowers in the community for capital expansion, operating lines of credit, farm production and limited consumer items. We work closely with our borrowers in good times and bad, because we intend to be here for the long haul, as do our borrowers.

It seems to me the problems created by the "to big to fail" institutions and the non-bank lending agencies who didn't know there could or would ever be a bad day in real estate are being addressed to the small commercial banks who have always required 20% cash down to buy real estate. We didn't get carried away by 100% loans or excited by government guaranteed loans. In the long run we recognize just because you have a guarantee, doesn't mean everything is roses. If you have a guarantee on a problem loan, you still have a problem loan to work out of, only now you also have to report to the underwriter that guaranteed the loan.

New legislation is already so cost prohibitive it will funnel local loans we use to make to the very big banks and non-bank lending agencies that created this mess to begin with.

To solve the problem is obviously beyond my pay scale, but to over regulate small commercial banks that didn't create the problem will just lead to bigger problems.

We have money to lend to good customers with proven management skills and track record. The problem is most of our stronger borrowers are not really interested in expansion, because existing leadership in government hasn't given a clear picture of where we are headed or how we are going to get there.

Thank you for the opportunity to comment on these proposed changes. As you can see, I am not a fan.

Sincerely,

Daniel K. Smith 620-697-2777