From: egerhart@homestbk.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: Thursday, September 30, 2010 9:48:39 AM

Eric Gerhart
40 Grant Street
Crystal Lake, IL 60014-4314

September 30, 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 Eric Gerhart and I am the Chief Credit Officer of Home State Bank, N.A. a $720 million community bank in Crystal Lake, IL. Our market is located 50 miles NW of Chicago and is a mixture of rural and expansion from Chicago.

I am writing to urge FASB to not go forward with the proposal. I believe this proposal would misrepresent the financial condition of community banks. I believe this because the primary business of bank's like ours is to hold financial instruments to collect cash flow rather than trade them on a regular basis.

The proposal may work and be appropriate for more sophisticated large banks, but would signficantly dimish the profitability of community banks. Additional, staff, time and training would be required which further diminishes profitability and bank capital.

For these reasons, I oppose the fair value calculations for loans and the proposed accounting treatment for core deposits

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.

Sincerely,

Eric Gerhart