

**From:** [jbelle@fmbankia.com](mailto:jbelle@fmbankia.com)  
**To:** [Director - FASB](#)  
**Subject:** File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities"  
**Date:** Monday, September 13, 2010 10:12:57 AM

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James Bell  
200 First Street SW  
Cedar Rapids, IA 52404-5735

September 13, 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 the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Senior Vice President of F & M Bank, a banking institution in Cedar Rapids, IA with \$270 Million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

#### I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and estimating a market value makes no real sense.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

Our investors have expressed no interest in receiving this information. We

believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

## II. COMMENTS ON LOAN IMPAIRMENT

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

With the current state of the economy, credit for small business is already difficult to obtain. These regulatory changes will make obtaining credit more difficult and more expensive.

Thank you for considering my comments.

Sincerely,

James P. Bell  
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