From: <a href="mailto:ctyler@mechanicsbankms.com">ctyler@mechanicsbankms.com</a>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

**Date:** Thursday, September 16, 2010 11:18:04 AM

Cam Tyler 319 Main Street Water Valley, MS 38965

September 16, 2010

Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO 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 President of Mechanics Bank in Water Valley, Mississippi with \$205 million in total assets, I am writing in regard to the exposure draft.

I am opposed to 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.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

Our investors have expressed no interest in receiving information on the market value of loans. We believe our investors would not view the costs associated with this change, which must come out of bank earnings, as being either reasonable or worthwhile.

For the reasons stated above, we respectfully request that the fair value section of the exposure draft be dropped.

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have concerns about how such changes can be

implemented.

I recommend that any final model be tested by banks our size to ensure that the model is solid and workable.

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.

Thank you for considering my comments.

Sincerely,

662-473-2261 President/CEO Mechanics Bank

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