



159 North Main Street
Martinsville, Indiana 46151
Phone: 765.349.1215 Fax: 765.349.1225

September 22, 2010

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

File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

As a member of the Board of Directors of Citizens Bank (Mooresville, Indiana) and a member of the AICPA, I appreciate the opportunity to comment on the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("proposal"). I am writing to express my deep concerns and opposition to the portion of the proposal that requires all financial instruments to be marked to market. In my opinion, marking the balance sheet to market does not provide investors with useful financial information that allows them to obtain a clear, long-term picture of a bank's value.

This proposal requires banks to record loans on their balance sheets at market values. The majority of community banks like Citizens Bank do not sell their commercial loans and many retain a sizable residential loan portfolio. For the most part, community banks keep these loans to maturity. Investors are interested in how a loan performs, not how the market views loan values. Requiring community banks to develop values for these illiquid assets will have to be built upon assumptions that are subjective. In addition, there is no active market for many community banks' loans, calling into question the reliability of using such a system to assign value to these loans.

More importantly, marking all loans to market will cause the bank's capital to be subject to the drastic fluctuations of the markets because each quarter the capital account could be adversely affected, especially in economic downturns such as the current one. This will certainly discourage bank lending. It will also be expensive to administer and will require outside expertise not readily available in rural areas. For privately held banks and holding companies, the proposal will be yet another financial burden without adding value to the investor.

For the reasons stated above, I respectfully request that the fair value section of the exposure draft be removed. Thank you for considering my views.

Sincerely,

William R. Keller
President