

From: mbrown@mnbtn.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 21, 2010 8:58:04 AM

Michael L. Brown Brown
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September 21, 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.

I am writing to urge FASB to not go forward with the proposal. The accounting resulting from this proposal would greatly misrepresent the financial condition of our small but publicly traded community bank as well as other community banks.

Mountain National Bank, a \$580 Million Dollar community bank, is located in the small town of Sevierville, Tennessee. We are home to the Great Smoky Mountains National Park and receive some 10 Million tourist visits annually, so our area and our bank are reliant on the tourism industry. To serve the credit needs of our community, we originate and keep in our portfolio numerous tourism related loans, such as hotels, motels, restaurants, rental cabins, and amusements. These loans are not readily marketable, and in fact are classified as undesirable loans by many of the large banks. To attempt to mark these type loans to market would be next to impossible.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. As I mentioned above, the tourism based loans we originate are not readily marketable. Therefore, we also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

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.

The proposed accounting changes will exacerbate cyclicity in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements. Again, for a small community bank such as ours, attempting to mark loans and

deposits will be very time consuming and a very inexact science, making our financial reporting very difficult and expensive, as we do not possess the expertise for such an exercise. It would increase the volatility of our balance sheet and possibly force us to face higher capital requirements at a time when it is very difficult to raise capital for a small bank. The alternative would be to shrink our lending efforts in an attempt to achieve higher capital ratios, decreasing the availability of credit in our community.

Again, I urge the FASB not to move forward with this proposal. I thank you for the opportunity to comment on this proposal.

Sincerely,

Michael L. Brown, Executive Vice President
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