1810-100 Comment Letter No. 2562

From: <u>ifergusonmarq@hamilton.net</u>

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: Friday, September 24, 2010 12:43:07 PM

John D. Ferguson P O Box 39 Marquette, NE 68854-0039

September 24, 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 the Bank of Marquette, a very small bank located in Marquette, NE with 29 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. This is overkill and IS ALREADY BEING DONE WITH OUR REGULATORS. We have a reserve established with a line by line appraisal on each loan over 25,000. If we are short of collateral X dolars we put that in the Loan Loss Provision. For securities we have a reserve that operates in a similiar manner. Our regulators privately tell me that if we are reserving for anticipated or percieved losses that would offset the value as reflected on our financial statement. We do not sell our commercial loans and never have--if that is the reasoning behind this.

Marking our loans to market would be a nightmare for small banks, especially agricultural banks as we would be required to reprice our loans(collateral, i.e. grains & livestock) whenever the market made a significant move.

Perhaps the powers that be do not recognize that some of these regulations are driving bank consolidations so we end up with fewer small banks and large banks that have the potential to influence the ecomony, for better or for worse. Lately it has been worse, alto most problems were caused by mortgage banks.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

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

I recommend that any final model be tested by banks my size in order 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.

Sincerely,

402 854-2221 President Bank of Marquette