

From: jarens@cnbaccess.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Thursday, September 30, 2010 12:13:16 PM

Jim Arens
1144 E. 2nd St.
Ainsworth, NE 69210-1550

September 30, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

The opportunity to comment on the proposed changes covered in the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" is very much appreciated.

As vice president of The Commercial National Bank in Ainsworth, Nebraska, a community ag bank with \$82 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 on the balance sheet.

We are a relatively small community bank in an area that survives on production agriculture in the cow/calf and row-crop production sectors. Approximately 75% of our loan portfolio is comprised of agricultural credit.

We make loans to farmers and ranchers for land, machinery and seasonal operating expenses. There is no market for these types of loans so it would be impossible to estimate an accurate fair value for these assets.

We do not intend to sell these loans because the real value of a bank like ours is in the relationships we have established over decades of providing trusted service to the families living next door to us.

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.

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.

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.

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

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine and I recommend that any model that is adopted, be tested with community banks like The Commercial National Bank, to be sure it is a viable model..

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 again for considering my comments on these proposed changes.

Sincerely,

Vice President
The Commercial National Bank of Ainsworth