

**From:** [whess@iowasavingsbank.com](mailto:whess@iowasavingsbank.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 3:48:28 PM

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Bill Hess President  
Box 967  
Carroll, IA 51401-0967

September 30, 2010

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

Dear Mr. Golden:

My name is Bill Hess, and I am President of a small bank (\$150,000,000) in west central Iowa, a community known as Carroll, Iowa. My bank is in a county seat community of 10,000 population, and county population of maybe 22,000 people. We have offices four small communities within 25 miles of Carroll, and our market is largely dependent on agriculture production and fairly strong retail but only in the county seat community of Carroll. Our bank stock is not publicly traded nor widely held, and we are subchapter "S" for tax purposes.

I am writing because I am opposed to the portion of the proposal on accounting for financial instruments that if enacted will require our loans to be reported at fair or market value. We do sell lreal estate loans on the secondary market but the balance of the portfolio represents credit extended within our market area and none of these loans are for sale. In fact, due to the recession our bank loan volume has fallen to less than 60% of assets whereas in normal times we would be in the mid 80's to low 90"s percentage range of assets. Most of our deposit funds are short term so our loans for the most part are held to a 12 month period though we do have machinery and auto loans as long as 5 years. We watch our net interest margin weekly and adjust both deposit and loan rates as necessary to maintain needed margin. We value our customer base both depositor and loan customer, and hold loans to maturity and work through a collection process which best fits the customer and the bank.. Our market area and our population base has not changed for seven to ten years, and we see no reason to expect otherwise in the future. We already price our bond portfolio as required but we are not a seller or trader of bonds and while all bonds are available for sale it is rare indeed to sell a bond.

I have no idea as to the cost and manpower a mark-to market adjustment would total but suspect it would be meaningful and without purpose for our small bank. In fact, whatever the cost it would be passed on to the consumer and of what benefit could that be in these times.

I believe that with the help of bank regulators we already do a good job estimating and providing for a loan loss reserve. I suggest you leave

well enough alone in this area.

In conclusion, I ask that you not adopt the provision of requiring all banks to price bank assets on a market basis.

Sincerely,

712-792-9772  
president  
iowa savings bank