From: neil.burke@bcbonline.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: Wednesday, September 15, 2010 9:23:24 AM

Neil Burke
Chief Financial Officer
Benchmark Community Bank
P. O. Box 569
Kenbridge, VA 23944-0569

September 15, 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 CFO of Benchmark Community Bank, a $420 million community bank in Kenbridge, Virginia, I am writing to express my opinions on specific provisions of the exposure draft.

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. Requiring loans held to maturity to be recorded in financial statements at fair market value, rather than at amortized cost, ignores a bank's business model.

When a borrower has a problem paying a loan, we do not sell the loan; rather, we work to address the borrower's problem. Unfortunately, the above proposal misses this central point. Because of this, the proposal would negatively impact both banks and those who rely on their financial statements, and end up doing the exact opposite of what FASB intends

There is no active market for many of our loans, and estimating a market value makes no real sense. Even if we could easily obtain a market price, the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.). There is no financial incentive to sell.

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.

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.

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.

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.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

Neil Burke
434-676-9054
Chief Financial Officer
Benchmark Community Bank

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