

**From:** [tsaunders@ccbdouglas.com](mailto:tsaunders@ccbdouglas.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 16, 2010 11:48:04 AM

---

Tom Saunders  
Box 689  
Douglas, WY 82633-0689

September 16, 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 Converse County Bank, a state banking institution in Douglas, WY with \$283 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.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values may lead readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, we attempt to work through the collection process with the borrower rather than sell the loan.

There is no active market for most of our loans, and estimating an accurate market value is virtually impossible and makes no real sense.

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 provide an very questionable estimate of market value.

Our shareholders have expressed no interest in receiving this information.

We believe our shareholders would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

## 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.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

Tim Long, with the OCC said it best when he shared, "Somehow, we've allowed accounting doctrine and the accounting profession to encroach on what is fundamentally a process of credit estimation, based on credit administration inputs. Credit factors such as problem loan identification, loan classification criteria, and nonaccrual and charge-off recognition, are all judgments that should be made by the people best able to speak to the bank's overall credit risk exposure: its senior managers ... credit administration and credit risk professionals, with oversight by its prudential supervisors."

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.

## III. COMMENTS ON HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting.

It is very important that the term "reasonably effective" be better defined.

The "shortcut" and the "critical terms match" methods should be maintained. This greatly helps medium and smaller banks like mine to reduce the cost of compliance with the hedge accounting rules.

Thank you for considering my comments.

Sincerely,

President  
Converse County Bank

This message has been verified by CapwizXC as authentic and sent by this individual. Authentication ID: [13atfmj6]