From: "dhauskins@fnbsparta.com" <dhauskins@fnbsparta.com>
Date: September 23, 2010 9:53:05 AM EDT
To: Russell Golden <rggolden@fasb.org>
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft

David Hauskins
101 W. Broadway
Sparta, IL 62286-1648

September 23, 2010

Russell Golden
Financial Accounting Standards Board

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

I am writing to urge FASB to not go forward with the proposal.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. As a 78 million dollar bank with 77 shareholders with no active stock trades in the last 12 months, our ownership interest is in the long term not short term market fluctuations.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. We seldom sell more than 6 securities in a year, and we retain all of our loans.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis. With 21 employees our resources are already taxed to comply with the ever changing and increasing regulatory burden placed on small banks.

We oppose requiring institutions to record demand deposits at fair value.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

Community banks such as this bank create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market.

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability.
Values Based on assumptions and estimates that can change as quickly as the next prognostication by a renown economist or government official seem to add confusion to financial data not clarify that data.
Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

David Hauskins

Community Bankers Association of Illinois