James E. Palmer, CPA
Scott R. Currier, CPA
William J. Hoffert, CPA, MBA

September 15, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference: No. 1810-100, Accounting for Financial Instruments and Revisions to the Accounting for Derivative and Hedging Activities

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 and Hedging Activities. Our CPA office serves many privately held community banks in the upper Midwest which have assets in the range of 30 to 750 Million.

We strongly oppose the piece of the proposal that requires all financial instruments, including loans, to be reported at market value on the Balance Sheet. The majority, if not all, of the community banks that we serve do not sell any loans with the exception of home mortgages, which are sold almost immediately. If community banks start reporting these loans at market value, it will change their earnings and capital in a manner that would reflect that they were going to sell their loans, which would be deceiving to a shareholder or other reader of their financial statements. In addition to deceiving, this change would cause much confusion to current shareholders who are unaccustomed or ignorant of this type of complex reporting. These shareholders will be asking a lot of "why's" about very complicated issues and I believe the most given answer that a community bank CFO will say is that it is too complicated for them to understand, things will fluctuate, sometimes significantly, but they will get back to the same position, and that this is all caused by some weird accounting rule. In the end, there is a less informed and confused shareholder.

Another reason for our opposition is the issue of community banks trying to determine their market values on their loans. I would expect that all of the community banks that we serve will have to seek outside, expensive, professional help in calculating their market value due to the lack of an active market on their loans. In addition to significant additional costs and resources to determine this, this proposal will cause an immense amount of subjectivity to come into play when calculating market value, whereas the current accounting treatment allows for almost no subjectivity. At a minimum, community banks have to answer to their shareholders, bank regulators, and financial statement auditors. What if these groups disagree with what is market value? Without an active market for these types of loans, conflicting opinions most likely will happen and the community bank may be forced to spend even more resources to develop multiple models to appease each group. All this work takes place for loans for which the community bank has no history or intention of selling.

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During discussions with community bank shareholders and other stakeholders, I have never heard of a request from them to receive market value information on the bank's loans. It is my belief that these shareholders would think that the costs associated with providing this information would be a waste of their invested dollars. Thank you for considering my comments.

William & Hathot, CPA WILLIAM J. HOFFERT, CPA

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ENCLOSURES