

**From:** [ejauld@fnbmcalester.com](mailto:ejauld@fnbmcalester.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:** Friday, September 17, 2010 3:07:45 PM

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E. Jane Auld  
P.O. Box 948  
McAlester, OK 74502-0948

September 17, 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 Executive Vice President and Chief Financial Officer of First National Bank & Tr. Co. of McAlester, a banking institution in McAlester, OK with \$450,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft. Our bank is capitalized well in excess of regulatory requirements. Only three individuals own our bank. All three of them have taken the time to comment on 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 leads 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 work through the collection process with the borrower rather than sell the loan. If you would take the time to review our problem loan data and activity in our allowance for loan losses over the years you will note that we really have very few issues with loans.

There is no active market for many of our loans, and estimating a market value makes no real sense.

In addition to our lack of a market for the loans the costs and resources that we will need to comply with this new requirement would be significant and in rural Oklahoma we do not have the labor pool from which to draw to add staff for this function. This means that we would have to pay consultants to assist us with estimating the market value.

Our investors have expressed no interest in receiving this information and

they have told you this. My shareholders have been in the banking industry for many decades and have run a top rated and performing community bank for all of those years. The costs they would add to accomplish this disclosure would take away from another beneficial service they could offer our community.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

## II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. I have read thru Senior Deputy Comptroller, Tim Long's remarks to you on September 14, 2010, and I agree with much of what he has said to you on this topic. As a CPA of a well run community bank I would love to have the opportunity to share some of my thoughts with you on the methodology to estimate loan loss provisions as 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 (of all sizes and types of institutions) 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. Most of my loan officers already struggle with the concept of impairment, as does my ownership. As such, changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to what one of my owners has referred to as cooking the books accounting.

I recommend maintaining the current method.

Thank you for considering my comments. I invite you to come to our bank and see how we operate and listen to our board as they work to keep this conservatively run bank operating in today's banking environment.

Sincerely,

918-426-2960  
Executive Vice President and Chief Financial Officer  
First National Bank & Trust Company of McAlester