

**From:** [oakcreek@inebraska.com](mailto:oakcreek@inebraska.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:** Sunday, September 19, 2010 12:42:58 PM

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Mark Blazek  
PO Box 8  
Valparaiso, NE 68065-0008

September 19, 2010

Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Golden:

As President of Oak Creek Valley Bank, a banking institution in Valparaiso, Nebraska, with \$58,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

#### I. COMMENTS ON FAIR VALUE

This rule makes absolutely no sense for our bank or any bank like ours. It does far more harm than good. If you or someone can give any "Specific Example" of how this rule could help a community bank like ours, I would like to see it. Having Seen none:

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. However, we have not been forced to file a foreclosure on a Commercial/Residential or other loan at ANY TIME in the past 15 years.

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, since 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.

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. This on top of so much excessive "Compliance Regulation" that we are well beyond our tipping point!!

There is a limit on the number of rules and regulations which we should be forced to comply with, where they were not written for or because of us. However, in each case, we are dragged into the process and forced to comply with them.

## II. COMMENTS ON LOAN IMPAIRMENT

I have serious concerns about how the proposed methodology changes to loan loss provisions 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. If not modeled or workable, I recommend banks under a specific size (e.g. 250MM) be exempted from the proposed rule.

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.

Please note that we are 100% owned by 6 employees who agree with the contents of this letter.

Thank you for considering my comments.

Sincerely,

402/784-2200  
President  
Oak Creek Valley Bank