

September 27, 2010

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

File Reference #1810-100

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."

Town & Country Bank of Quincy is located in Quincy, Illinois and has been incorporated for over 100 years. Our institution is privately owned with assets of \$115,000,000. Our customer base is diverse in all aspects with our emphasis in commercial and real estate lending.

In reviewing recent proposed legislation it appears as though, once again, community bankers and small town America will pay the price of what has been created by the large "national" banks. The new regulations are already too cumbersome and too confusing, not only for bankers but for customers, regulators and anyone involved with banking in general. The continued regulation will hinder not only community banks but all banks in general as it becomes increasingly difficult to aid our customers which, in turn, will make the recovery for the U.S. economy and world economy further out of reach.

## 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.

Currently we originate, monitor and collect all the loans we make. If any loans are sold they are done so in the best interest of our customers. These credits benefit from better loan terms than what can be afforded by a small community bank (i.e. long term fixed rate loans on homes and farms). In all situations, if there is a collection or a delinquency we work with the customer to diligently reach the best solution for all parties involved. As a result our loan loss has been minimal in relationship to our peers. Estimating the market value of any loan truly makes no real sense. A loan is just a portion of a customers banking relationship. What about their deposit accounts, other loans, and other possible relationships that they may have with the bank? Do we have to "discount" those as well? Who determines the "health of

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the banks portfolio or each "relationship"? Sounds like a huge responsibility that will only cost the bank and its customers in the long run. Furthermore, the marking of loans to the market would cause the bank's capital to fluctuate. This would cause confusion to the investors, customers, and regulators. The cost and resources that we would need to comply with this would be an extra burden on the bank's bottom line as well as for the government, both of which are already feeling pinched. Therefore, the unknown effect on our capital base, added expenses of compliance not to mention the overall confusion that this "topic" brings about in the banking environment, we respectfully request that the fair value of the draft be dropped.

## II. COMMENTS ON LOAN IMPAIRMENT:

We have no real objection to the Board's efforts to revise loan loss provision methodology.

I do ask that consideration be given for historical losses and earnings when compared to peer group. One might look at or even create a model that lists different groupings for the size of the institution as well as the capital levels and the earnings that a bank maintains. By this I mean a high capitalized bank with good earnings should not be required to adhere to such stringent reserves as banks that don't meet the standards set forth. Currently we use a historical model and we try to blend that with our own assumption of 1% of total loans and a comparison of our peer group.

## III. COMMENTS ON HEDGE ACCOUNTING:

We currently have no position on hedge accounting as we currently do not participate in this on or off our balance sheets.

In summary, we believe banking has become too complicated. The majority of our customers we see daily, young or old, simply want to purchase a house, vehicle, or conduct their banking needs. The policies and procedures have become overwhelming to a banker not to mention trying to explain the process to the general public. It would be nice to simplify things again however, that will probably never happen.

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Again, thank you for the opportunity to comment on these issues.

Gary W. Penn

President & CEO

GWP/cm