1810-100 Comment Letter No. 1798

From: <u>osb.joe@wheatstate.com</u>

To: <u>Director - FASB</u>

Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities" Exposure Draft

**Date:** Monday, September 20, 2010 10:42:59 AM

JOSEPH WENDLING 694 RD K7 OLPE, KS 66865-9330

September 20, 2010

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

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.

I am a 49 year banker in a town of 514 very industrious people. Our bank is a \$36,000,000.00 bank that has been a Bauer 5 star bank for over 20 years

I mention this because, had we had to mark our loans to value back in the 80's we probably would't be in business today.

Marking securities to market was a bad idea that truly distorts the value of our bank because we purchase them for the income, not to trade. They almost always are redeemed at par. But since their market value can be determined by a computer program, all that accounting does is distorts the value of the bank to the stockholders.

Taking deposits and making loans is a whole different senerio. Community banks fund their operations by taking deposits and holding loans to maturity. There is no active maket for the loans we make. It would be difficult and costly to mark them to market. The final result would be a dangerously distorted balance sheet.

Fair value measurements will not provide a better understanding of the values of illiquid agricultural loans held by small banks in rural areas such as this bank.

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.

The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations

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that will be less accurate than current accounting requirements.

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.

For all of the above reason I must OPPOSE FAIR VALUE ACCOUNTING FOR DEPOSITS AND LOANS. it is ill conceived and detrimental to good banking practice for community banks.

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

Sincerely,

JOSEPH WENDLING 620-475-3213