

From: pclinton@insouth.com
To: [Director - FASB](#)
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 12:57:54 PM

Phil Clinton
111 South Washington
Brownsville, TN 38012-3033

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.

INSOUTH Bank is a community bank with \$350 million in assets located in rural agricultural West Tennessee and borders some suburban Shelby county areas. We create and hold small business, small home improvement, consumer and farm real estate and production loans for which there is no active market; it would be very difficult and costly to mark them to market.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

INSOUTH Bank and most other Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly re-measured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming. In particular for smaller banks like ours that have limited staff resources. The analysis would have to be outsourced to a third party which would be even more time consuming, a burden on staff and expensive.

We also oppose requiring institutions to record demand deposits at fair value and requiring fair value calculations for loans that are held for the long-term to collect cash flows. 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. Establishing fair values for the types of loans held by many community banks like our

bank would be costly and result in data of questionable reliability.

The expanded reporting of comprehensive income is unnecessary, confusing and of little use to most financial statement users.

Our bank regulators and banking advisors see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment.

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. The past several years have been unprecedented in our lifetimes and it has been a very difficult time to be in the banking business. The banking industry over the next few years will see increased regulatory over-site and regulatory revision, please do not layer another burden onto the community bank.

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

Sincerely,

Phil Clinton
Vice Chairman
Insouth Bank, Brownsville, TN

Sincerely,

Phil Clinton
731-772-6097