

From: dportmann@bankofthepacific.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 2:57:56 PM

Denise Portmann
1101 S. Boone Street
Aberdeen, WA 98520-6736

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.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank, Bank of the Pacific, and other community banks.

Bank of the Pacific's primary business is to hold financial instruments such as loans to collect contractual cash flows, not to trade them on a regular basis.

We fund our operations by taking deposits and holding loans for the long term. The loans and most of the financial instruments we hold are not readily marketable. We oppose requiring fair value calculations for these 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. We hold approximately \$34 million in ag loans, almost all of which are in rural areas.

Additionally, we are a \$650 million community bank that specializes in small business lending. Community banks such as us create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market. Establishing fair values for these types of loans held by us and many other community banks would be costly and result in data of questionable reliability and would not increase transparency.

We also oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours with deposits totaling \$500 million that have

limited staff resources to conduct the analysis.

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

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.

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

Sincerely,

Denise Portmann