

September 21, 2010

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

Re: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft

Dear Mr. Golden:

We appreciate this opportunity to provide comment and urge you not to proceed with the proposal on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

First Security Bank of Missoula is a \$925 million community bank located in Western Montana. We operate in a rural area with twelve branches covering Sanders, Ravalli and Missoula Counties. We pride ourselves in maintaining the position as one of the top performing banks in our market and peer group. The credit for this accomplishment goes to our knowledgeable staff (178 FTE) and Board of Directors.

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. 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 measured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for banks like ours that have limited staff resources to conduct the analysis. Community banks such as this bank 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 the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability.

Conservative community bankers (and bank regulators) 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 absorb losses and raise capital during times of economic difficulties, such as the current environment. 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 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.

We thank your for the opportunity to comment on this proposal.

Sincerely,

Scott M. Burke

President and C.E.O.