

**From:** [jmeyer@fbks.com](mailto:jmeyer@fbks.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:** Thursday, September 23, 2010 4:33:06 PM

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James M Meyer  
209 Montana Ave.  
Holton, KS 66436-1126

September 23, 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.

At The Farmers State Bank, Holton, Kansas, we are a \$54,000,000.00 bank. Our market is basically agricultural but we have been able to make some strides in commercial lending as some banks have rid themselves of their B & C graded customers. We have a combined staff of about 18 people that staff two branches, the one in Holton being the main branch.

We 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 that have limited staff resources to conduct the analysis.

We oppose requiring institutions to record demand deposits at fair value. The real question here is what does that mean and how will such a thing be measured? If it comes down to my personal opinion, hey my 27 years of banking experience is as good as any 25 year old, wet behind the ears, accountant with no experience at all.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows. This is what we do as community bankers. I don't sit around with a lot of other bankers buying and selling loans to each other. That market has yet to be established and the due diligence required to make a decision to buy loans such as participation loans is based on financial statements of the borrowers, guarantors, the debt coverage ratio of the project, the character of the borrowers and guarantors as measured through credit bureau reports and so on. That takes days some times to reach a conclusion and then a presentation to a loan committee to see if we want to be involved. A market as I understand it requires willing buyers and sellers of a known entity buying and selling an interest or item concerning that entity. That creates a market! There

is no established market for loans other than home loans. My cattle loan, wheat loan, farm equipment loan, small business loan like the purchase of a motel or starting a machine shop is not negotiable, no one wants to buy that kind of risk. I don't even have other bankers trying to purchase my loans from me now. So how in the world can a fair value be placed on that loan transaction? What price do you give towards character, what's the price of a D/A ratio, what's the price of DCR? Will FASB make up this pricing mechanism. What do you know about it? How many loans have your people made lately? If it's based on your "no experience opinion" then I guess my 27 years is more valuable than your "no experience opinion" and a lot more valuable than some edict from FASB.

No. I think if you want to keep any credibility this proposal for loans and deposits has to be discarded as unmanageable. The securities portfolio is different but again banks usually hold on to their good securities that have a gain because what would they invest the money in with an equitable rate of return other than loans that are not bought and sold on a daily basis.

The proposal is irrational and illogical as no market has been devised in order to ascertain fair market value therefore, the proposal must be dropped as it is not workable at this time. This is not to say that this proposal might be possible with better technology but at this time no such technology exists to make this proposal viable.

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

Sincerely,

James M Meyer  
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