

**From:** [jstewart@bank-of-frankewing.com](mailto:jstewart@bank-of-frankewing.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 9:18:04 AM

---

Jeff Stewart  
508 S Main St  
Cornersville, TN 37047-4403

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.

Bank of Frankewing is a rural, community bank with assets of 207 million dollars.

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

The primary business of Bank of Frankewing is to hold financial instruments to collect contractual cash flows. We do not, nor have we ever, traded assets on a regular basis.

We fund our operations by taking deposits and holding loans for the long term. With the exception of some securities, that are held available for sale and are reported at market value, our assets are not readily marketable.

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. It is certain that we would have to hire a professional to perform this analysis for us.

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.

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.

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

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 absorbing losses and raising 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 cyclicity 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.

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

Sincerely,

Jeff Stewart  
9313631796