1810-100 Comment Letter No. 2470

From: <u>dsheffield@frontenacbank.com</u>

To: <u>Director - FASB</u>

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 9:38:08 AM

Dan Sheffield CFO 3330 Rider Trail Drive South Earth City, MO 63045

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.

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 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, due to the recessionary times and heavy handedness of bank regulators we have had to reallocate more resources to handle the portfolio issues and do not nor cannot afford more resources to monitor this accounting.

As I was hired becasue of by small business background to start lending to a much underserved market the small businesses. I have worked in the non banking world for the last 15 years for several of the top 20 SBA lenders This proposal makes us re-think that strategy since there is no active market; it would be very difficult and costly to mark them to market. We have had this debate for years with auditors for the last 10 years

This proposal is not only costly to the institutions but does not add value to most financial statement readers. This is a trend in completely the wrong direction

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Frontenac Bank is a \$400M bank in the St. Louis area which needs bank that can provide capital and this proposal will restrict capital as it would impact our capital for reasons that have no current value to the balance sheet of the bank

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 your for the opportunity to comment on this proposal.

Sincerely,

Dan Sheffield, CFO 314-569-5352