

Brad Butler
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September 23, 2010

Russell Golden
Financial Accounting Standards Board

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 the SVP and CFO of a \$160 million community bank in a suburban market. I read these calls to action all of the time, but rarely feel strongly enough to act. Part of it is a feeling that my comments and concerns are not going to affect a process that is so far above us.

However, I am making an exception in this case. It is hard to believe that an association can be so far removed from reality as to propose additional mark-to-market requirements in light of the recent and ongoing economic collapse. Much of the wealth that has been needlessly destroyed has been the result of marking assets to market that have no functioning market. While I am sure that there are a million scholarly arguments in the favor of your proposals, sometimes common sense fails to get inserted in to your ivory tower.

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. We pay more than enough in accounting fees already and don't need these sorts of academic exercises to further erode our profit margin (which has taken a big enough hit already).

We oppose requiring institutions to record demand deposits at fair value.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

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.

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.

I assume you've seen this result. You've got to be kidding when you suggest that more of this will be good for the economy.

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 and hope you'll come to your senses.

Sincerely,

Brad Butler
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Community Bankers Association of Illinois