

From: emcclure@midmobank.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Friday, September 24, 2010 11:28:13 AM

D. Eric McClure
1619 E. Independence
Springfield, MO 65804-3783

September 24, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." As President/CEO of Mid-Missouri Bank, a community banking institution chartered in Springfield, MO with total assets of \$490,390,000 as of June 30, 2010, I am writing to express my opinions on specific provisions of the exposure draft.

I. FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet. Mid-Missouri Bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are any issues with a borrower's ability to repay a loan, we work through the collection process with the borrower, rather than sell the loan. There is no active market for many of our loans, and estimating a market value makes no real sense. Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer, there is no financial incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the market - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

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.

These accounting changes will increase the volatility of the banks 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.

The costs and resources that we will need to comply with this new requirement would be significant. This will require Mid-Missouri Bank to pay consultants and auditors to estimate fair value. For the reasons stated above, Mid-Missouri Bank respectfully requests that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by community banks. I recommend that any final model be tested by banks of our size in order to ensure that the model is solid and workable. It is very important that any new process are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

Additionally, I do not support the proposal for recording interest income.

Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

President/CEO
Mid-Missouri Bank