1810-100 Comment Letter No. 2777

From: john.douglas@catlinbank.com

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

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

Date: Thursday, September 30, 2010 11:28:17 AM

John Douglas 202 S. Sandusky Catlin, IL 61817-7502

September 30, 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 of First National Bank of Catlin, Catlin, Illinois, with \$41 Million in total assets. I oppose the loan valuation idea. My question is who will benefit from it? The banking system? Publically traded banks? Privately owned banks? The general public?

NO! Only the participants in the capital markets. But, will the concept produce the results FASB expects?

How will values be determined? May I direct you to the models that the Capital Markets utilize for security valuations. The value for US Treasury and Agency bills, notes and bonds is readily determined. But step into Mortgage Backed Securities, Taxable and tax exempt securities, CMO's, CDO's etc. and there is a question of accuracy. These are priced from matrices that is a computer model's best guess. A Sell/Buy transaction may miss the price by a large margin. But, this is the system that the industry uses. The pricing matrix that our bond accounting system uses tends to overvalue our securities in both rising and falling interest rate scenarios. We all use similar systems. Is it helpful? It is not accurate.

The true value of a loan at a moment in time cannot be determined accurately. When one tries judgements enter the equation. FASB should not want this to occur!

All of the banks will see only increased costs to determine the market value of loans.

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 banks like mine.

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.

Sincerely,

2174272176 President First Naitonal Bank of Catlin