From: adrentlaw@newmarketbank.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: Saturday, September 18, 2010 10:22:47 AM

Anita Drentlaw
3019 Bobcat Trail NW
Prior Lake, MN 55372-4505

September 18, 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 Chief Financial Officer of New Market Bank, a banking institution in New Market, MN with $83 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair / market value on the balance sheet.

Our bank does not sell our commercial loans to a secondary market. 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 (multiple loans, deposits, etc.), there is no financial incentive to sell nor would we want to since our focus is on having the customer relationship.

Because of our focus on the customer and their total relationship, if there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than selling the loan.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - 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.

Finally for an $83 million dollar bank (which is relatively small in the banking arena), the costs and resources that we will need to comply with

this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value. These costs would significantly impact a small institution such as ours since there are less earning assets to spread the cost over.

For the reasons stated above, our 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 better estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

I recommend that any final model be tested by banks similar to our size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. This is important since all bodies need to be able to successfully implement any changes required.

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,

CFO
New Market Bank