

From: [William U. Martin](#)
To: [Director - FASB](#)
Subject: File Reference No. 1810-100
Date: Friday, September 24, 2010 5:27:03 PM

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* (the Proposal).

While I certainly appreciate the effort you and your staff have devoted to this project, unfortunately, I believe it undermines the FASB's main objective of enhancing accrual accounting techniques to make financial statements more understandable to the average investor within the cost versus benefits principle.

The shareholders of our mutual institution are the depositors, and most possess limited knowledge of both accounting principles and financial statements. Since I would not see those knowledge bases increasing significantly in the future, presenting fair value financial statements would needlessly confuse our average investor. . .precisely the opposite of your goal of greater transparency

For our more sophisticated investor, it will be difficult to compare financial institutions. Even though there is guidance on measuring fair value, institutions will use different assumptions on the same investments which will produce different results that will be hard to compare without extensive disclosure.

Secondly, the fair valuing of loans and deposits would present unnecessary volatility to the bank's financial statements since it would present unrealistic extremes at both ends of the interest rate cycles. Also, if investments and loans are held to maturity, applying a short-term value to a long-term asset or liability makes the asset or liability fair value irrelevant to the user.

The volatility in financial statements caused by this proposal will be exaggerated in extreme economic cycles like the one we are currently experiencing. Large swings in fair value will result in large swings in capital which will subject institutions to more challenges in managing our balance sheets, and likely unnecessary regulatory scrutiny. In addition, combining this proposal with the recent Basel III capital proposal will result in, financial institutions' increased difficulty in monitoring and increasing capital. And as you know, as a mutual institution, our options for producing capital are limited.

The cost to produce fair value financial statements will outweigh the benefits for small community banks. As a small institution, with a small staff, the time to produce fair value financial statements will double. The bank will need to purchase software or hire a third party to model the fair value of loans and deposits. Also, audit costs will rise because the auditors have to review the assumptions and verify the fair value calculation. Also, as CFO, I will have to spend more time educating my board of directors, management and other users on fair value accounting. All this time would be better spent on running the bank to the best advantage of my investors.

Given the complexity and increased costs of implementing this Proposal, I hope the Board will reconsider and ultimately rescind its position on fair value accounting. Thank you for considering my views.

Respectfully,

Bill Martin
Treasurer/CFO
Mercer Savings Bank
419.586.5158

Your Bank. For Life.

Notice: Information contained in this email transmission is intended by Mercer Savings Bank for the use of the named recipient to which it is directed and may contain information that is privileged and confidential. It is not intended for transmission to, or receipt by, anyone other than the addressee or a person authorized to deliver it to the named addressee. If you have received this in error, delete it from your system, without copying or forwarding it, and notify the sender of the error by email or by calling 419.586.5158.

We never send emails requesting personal information. We will never ask you to 'verify' information. We will never ask you to click on a special link to do so. While emails of this nature may look like they are from us, and even use our logo, they are most likely a 'phishing' scam. Do not answer them. If you receive an email purporting to be from us, do not hesitate to call us to confirm it.

I am using the Free version of [SPAMfighter](#).
SPAMfighter has removed 15151 of my spam emails to date.

Do you have a [slow PC?](#) Try free scan!