1810-100 Comment Letter No. 1553

From: <u>ksinsel@cornerstoneconnect.com</u>

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: Wednesday, September 29, 2010 10:58:21 AM

Kelly Sinsel 529 Lincoln Ave. York, NE 68467-2944

September 29, 2010

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

Dear Mr. Golden:

As Sr. Vice-President and Comptroller of Cornerstone Bank, a banking institution in York, Nebraska with \$920 Million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

## I. COMMENTS ON FAIR VALUE

I stand opposed to the portion of the proposal that requires all financial instruments - specifically loans - to be reported at fair value (market value) on the balance sheet. We are a traditional bank that on a daily basis makes loans to customers in the coummunities we serve. Our bank does not sell our commercial loans. We will hold these loans to their maturity. 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. In our case we are a privately owned institution and the additional analysis and reporting would in no way enhance how the inverstors look at the bank. Instead this will likely create more confusion and misunderstanding. 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. This new requirement will create uneccessary labor and expenses and could require us to pay consultants and auditors to estimate market value. Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs as being either reasonable or worthwhile. 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

It is very important that everyone is on the same page and that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. The proposal will likely create more confusion and misunderstandings than benefit. Changing the way interest income is recorded to the proposed method makes the accounting

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

Thank you for taking the time to consider my comments.

Sincerely,

Senior Vice-President and Comptroller Cornerstone Bank