

From: dyellets@fayconalt-bank.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: Monday, September 20, 2010 8:37:57 AM

Domigene Yellets
PO Box 209
Fayetteville, WV 25840-0209

September 20, 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 Controller for Fayette County National Bank in Fayetteville WV with \$85MM in assets, I believe that the proposed fair value measurement basis for loans is fundamentally inconsistent with the basic business model for most banks, which is to originate and hold loans until payoff, renewal or charge off. There is no material benefit that I can see to fair value accounting for what is, in effect, an "investment" that is intended to be held to maturity,

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan. While the mega banks may bundle and sell their loans, I believe most community banks do not sell their loans and intend to hold their loans until the loan is paid out.

There is no active market for our loans, and estimating a market value makes no real sense. How do you mark to market a loan that is paying on time but there are no bids and no basis on which to come up with a value? Fair value accounting has the unintended consequence of increasing the cyclical risk in the economy.

In addition, 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. This cost, which we believe to be substantial, will have to be passed on to our customers in the form of higher fees or higher loan rates.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

Sincerely,

304-574-1212
Controller
Fayette County National Bank