

From: jghiatt@fsbmiddlebury.com
To: [Director - FASB](#)
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
Date: Monday, September 20, 2010 9:33:04 AM

JAMES HIATT
PO BOX 69, 111 S MAIN
MIDDLEBURY, IN 46540-0069

September 20, 2010

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

Dear Mr. Golden:

I am writing to urge FASB to not go forward with the proposal.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. we are a \$380 million institution centered in the recreational vehicle capital of the US. We are also in the heart of a major amish community. The simple way of doing business has been the foundation that has made both group very successful. tha i s also why community banks have been successful. We are cenebrating our 100th year and having the same simple business practices for the past 100 years have created value for our customers, community, and our shareholders that include over 400 owners.

We oppose requiring institutions to record demand deposits at fair value.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our

economy needs more, not less, credit availability.

Sincerely,

JAMES HIATT
574-825-2166