1810-100 Comment Letter No. 1880

From: <u>dward@ncb-ebanc.com</u>
To: <u>Director - FASB</u>

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 11:33:02 AM

David Ward 126 E. High Street Hennepin, IL 61327-9549

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:

Please allow me this opportunity to express my grave concerns over FASB's new proposaled rules concerning "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities".

I am President of the North Central Bank, a small community bank (\$118,000,000 asset size) located in two rural communities in central Illinois. My bank has weathered the financial downturn fairly well, despite the inordinately high unemployment rate of nearly 15% in our area.

Our bank runs by a realatively simplistic business model, that has survived the test of time and adversity. We accept core deposits from local citizens and entities and invest those funds in loans to support the local economy. We support area civic activities and philanthropic efforts. (We even pay local school children cash as a reward for good grades in school).

In my mind, the proposals to mark-to-market every balance sheet item is counterproductive. Doing so interjects severe volatility in asset and liability values that in practice over history have fluctuated very slightly for us. Most all our deposits we consider as core, stable liabilities. We are not in the practice of selling assets (other than fixed rate mortgages to manage interest rate risk). And our operating profits have remained reasonably stable for over 50 years.

I'm uncertain how proper and meaningful valuations could be obtained for balance sheet componets in a market such as ours. Worse yet, the exercise would place a significant burden on the limited staff resources we hold. We employ almost 25 people. That includes 6 people that are in charge of lending, asset/liability management, compliance, strategic planning, administration, and public community outreach. We are stretched to the limit on regulatory requirements - most that are a result of other financial institution misdeeds.

I believe current accounting rules adequately and accurately reflect the health of our institution. Another layer of accounting adjustments are

not needed, would be difficult and expensive to administer in practice, and ultimately create unneccessary financial statement volatility. That volatility could trigger regulatory scrutiny when in fact the bank over time is stable and profitable.

Small community banks are trying to hold on to survival. The economic challenges are emense and the regulatory burdens are becoming untenable. Our resources are limited. It would be a sad day for our local citizens and shareholders (we have 250) if the bank could no longer sustain operations because of the miriad of requirements (accounting, regulatory, consumer protection, compliance) thrust upon us. And, oh yes, we have to run the bank operation and serve customers as well.

At the very least, I would suggest that this proposed rule should not apply to smaller institutions. My bank is not even publicly traded.

Thank you for allowing me to comment on this proposal. Your consideration is appreciated tremendously.

Sincerely,

David Ward 815-925-7373