1810-100 Comment Letter No. 1958

From: snorton@thebankoc.com

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 4:02:56 PM

Stephen Norton 515 S. First Street LaGrange, KY 40031-1253

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:

My name is Stephen Norton and I am the CEO of THE BANK-Oldham County located in LaGrange, Kentucky. We are a \$135 million community bank with four offices located in a suburban area near Louisville, KY.

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

We are very concerned and opposed to the accounting changes contained in the Exposure Draft and urge FASB not to proceed with it.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. These changes will clearly cause all financial institutions, particularly community banks, to significantly change our accounting policies and procedures resulting in drastically higher costs for us.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis. We only have a staff of 2 people in our accounting area who also are responsible for other functions in the bank. This would make it very difficult for us to implement this proposal.

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

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability. This proposal may eventually drive out product offerings such as loans with long-term, fixed interest rates, since they may be subject to greater fair value volatility.

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.

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.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

Stephen Norton 502-222-2100