

From: prailsback@waynebnk.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: Tuesday, September 21, 2010 4:02:56 PM

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September 21, 2010

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

Dear Mr. Golden:

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.

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

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

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 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.

Community banks such as this bank create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market.

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.

The expanded reporting of comprehensive income is unnecessary, confusing

and of little use to most financial statement users.

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.

FASB 5 and 114 caused banks to waste time and resources in our ALLL determination. A wise community bank should not have to waste time reaching a precise ALLL. What is wrong with putting extra funds in ALLL. We are a privately held bank and operate very conservatively. Interpretations of FASB 5 and 114 earlier caused our bank reduce the ALLL and put the bank in a bad position during the recent economic down turn.

The Accounting Standards board should take some responsible to in part causing the recent banking crisis with mark to market and causing bank to lower their ALLL all in the name not hinding income. We were not hinding income. We were being smart and putting money away for the bad times which would come some day. That some day can soon do to FASB 5 and 114.

Now here you go again making rules which hurt a small privately owned bank. Only accountants and appraiser will benefit from your proposed rule.

Enough is enough quit wasting our time and resources on full accountant employment without giving the public something of value.

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.

The proposed accounting changes will exacerbate cyclicity in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

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.

I am the Loan Review and Compliance Officer of the bank. I know first hand the problems FASB 5 and 114 cause the bank. I also do a mark to market analysis of the bank's mortgage servicing rights. My quarterly analysis of our mortgage servicing rights take a lot of time and proves nothing.

Now multiple my time by every loan and deposit and you have a whole bunch of wasted time and maybe the need to hire another person. And what does the bank gain nothing. What does the bank loss time, money and reputational risk from call reports which make the bank falsely look bad.

Again stop this proposal. Our bank hold loans and deposits for the long haul to serve our community. Your proposal gains nothing for the bank but cost the bank greatly.

Have I made my self clear enough.

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

Sincerely,

Paul Railsback
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