From: <u>tbroeckling@bankatfnb.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

Date: Friday, September 24, 2010 9:48:09 AM

Thomas Broeckling 319 W. Broadway Steeleville, IL 62288-1416

September 24, 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."

Community Banks have long been a pillar of our communitys, both financially and professionally. We have provided many of our local businesses the capital they need to start, expand and diversify their businesses. Community Banks have unfortunately been lumped in with investment banks and mega banks when it comes to the economic problems that we have been enduring. I would like to remind the members of the FASB that Community Banks were not responsible for the economic problems we have all been experiencing, but we continue to be slammed with more and more regulation. This has to stop! Many of the smaller community banks are currently looking at the possibility that they will be forced to either sell their banks or merge with larger instituions in order to survive. The proposed FASB rules are another nail in the coffin of small community banks!

As Executive Vice President and Senior Loan Officer of First National Bank of Steeleville, a banking institution in Steeleville, IL with \$200,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

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.

There is no active market for many of our loans, and estimating a market value makes no real sense.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

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. At present we would be hard pressed to establish these fair values with our existing staff.

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

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

6189653441 Executive Vice President First National Bank of Steeleville