From: <u>carmour@aldenbank.ocm</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: Friday, September 24, 2010 4:48:11 PM

Charles Armour P O Box 39 Alden, MI, MI 49612-0039

September 24, 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. Implementation at the average community bank would require research into markets where there currently is no participation. Thus, not only would there be a learning curve to understanding the terminology, a great deal of time would be needed to gain a competent understanding of the pricing.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. The only loans we presently sell (outside of an occaisional loan participation) are primary residential real estate loans. We have virtually no experience in pricing and selling commercial, commerical real estate, consumer or credit card loans. Our primary business involves holding these kinds of loans until final maturity. Additionally, most of these loans are probably not structured for sale to the secondary market.

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. Spending the last three years dealing with loan impairment and crisis liquidity management has left very little time for theoretical exercises.

We oppose requiring institutions to record demand deposits at fair value. We have no need to measure the average life of our demand deposits, nor any other characteristic that might be important in a valuation measurement.

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 ours 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. Having spoken and fielded questions at many annual shareholder meetings, I can honestly say the comprehensive income disclosures to date have done very little to enhance shareholder understanding of the bank's financial performance.

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. Further, since we do not engage in the sale or trading of assets and liabilities affected by this proposal, the information would likely result in misleading the average community bank shareholder.

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

Sincerely,

Charles Armour 231-331-4060