From: <u>dschultz@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:** Tuesday, September 28, 2010 12:08:14 PM

Deb Schultz 110 N Main Ladd, IL 61329-9646

September 28, 2010

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

Dear Mr. Golden:

To Whom It May Concern:

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. We are a \$120million Community Bank. We fund our operations by taking deposits and holding loans for the long term. 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 also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows. Fair value measurements will not provide a better understanding of the values of illiquid agricultural loans held by small banks in rural areas such as this bank. 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. 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. 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. Please consider not moving forward on this proposal for all Community Banks and our nation.

Thanks for the opportunity to comment.

Sincerely,

Deb Schultz

815-894-2386