

From: fd-john
To: [Director - FASB](mailto:director@fasb.org)
Subject: File Reference: No. 1810-100
Date: Monday, September 20, 2010 11:21:32 AM

September 20, 2010

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

File Reference: No. 1810-100 *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

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* (hereinafter “the proposal”). As President of Farmers and Drovers Bank in Council Grove, Kansas, a banking institution with \$132 million in total assets, I am writing to express my opinions on the fair value, or mark to market, provision of the proposal.

Farmers and Drovers Bank is strongly opposed to the requirement that all financial instruments, including loans, be recorded on the balance sheet at fair value. Recording financial instruments at fair value only clouds our financial position, instead of making it clearer. There are no active markets for most of our loans, and estimating a market value for the balance sheet does not make sense.

First, Farmers and Drovers Bank does not sell its loans. If issues arise with a borrower’s ability to repay a loan, we work with the borrower rather than sell the loan. Even if we could easily obtain a market value for the loan, there is no financial incentive to sell it, because loans are generally just one part of the greater financial relationships we have with our customers. Furthermore, if we base our balance sheet on fair values, our investors, or potential investors, could assume we sell our loans, which is not the case.

Second, recording loans at fair value will cause our capital to fluctuate with the market, even if the entire loan portfolio is performing. Instead of providing better information about our financial health and ability to pay dividends, this fluctuation would mask it. We would then need to explain the fair value system to investors, customers, and depositors.

Third, I am deeply concerned about the increased costs and resources needed to comply with the new requirements. We do not currently use fair values to manage cash flows, and this proposal would require either educating employees on fair values or paying consultants and auditors to estimate fair values. These costs would then be passed on to our customers and to investors by reducing earnings.

Finally, Farmers and Drovers Bank's investors have not expressed an interest in receiving information about the fair value of our financial instruments. Rather, investors are concerned about our overall performance.

Therefore, for the reasons stated above, Farmers and Drovers Bank respectfully requests that the fair value, or mark to market, provision of the proposal be dropped.

Thank you for considering my comments on the fair value provision of the proposal. Please feel free to contact me at john@farmersanddrovers.com or (620) 767-5138 if you have questions or would like to discuss my comments.

Sincerely,
/s/ John H. White
President
Farmers and Drovers Bank
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