FIRST MADISON VALLEY
BANK

September 21, 2010

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

Via email: 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."

As Chief Executive Officer of First Madison Valley Bank, a banking institution in Ennis, Montana with $125,000,000.00 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

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 as I believe that reporting loans and deposits at fair value would not provide utility to our investors. The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants to estimate market value on a quarterly basis. These expenses would add to the already increasing costs of compliance with new rules and regulations resulting in lower returns for our investors.

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, which reduces the utility of presenting fair market value as the intention is to receive the contractual amounts due on the loan, not to sell the loan.

There is no active market for many of our loans, and estimating a market value makes no real sense. We are a community bank making a variety of loans to serve our customers and these types of loans are not originated for resale.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer, there is no financial incentive to sell. Our bank thrives off of relationships with customers and this provides a competitive edge against larger, national banks and selling loans would put those customer relationships in jeopardy.

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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 and cause confusion to our investors who are not large institutional investors, but rather individuals in Montana.
Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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 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. Implementation of the new method of recording interest income would be very cost prohibitive and I believe would outweigh the benefits. New accounting systems or modification to existing accounting systems would most certainly have to be made which would result in further expenses. As a community bank, these costs would be difficult to absorb and explain to investors.

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.

I appreciate you taking the time to review my comments.

Sincerely,

Roy Pederson
CEO

RP/lac