

From: debrad@fhlbsea.com
To: [Director - FASB](#)
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
Date: Monday, September 20, 2010 12:42:55 PM

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September 20, 2010

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

Dear Mr. Golden:

I am writing to urge FASB to not go forward with the proposal No. 1810-100 as it would place increased regulatory burdens on already struggling community banks.

The accounting that would result from this proposal would greatly misrepresent the financial condition of the community banks which form the majority of customers of the 12 FHLB's. Community banks collect local deposits from businesses and consumers and extend credit in their communities to help customers thrive and prosper.

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 the ones the Federal Home Loan Banks serve, that have limited staff resources to conduct the analysis.

Community banks 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.

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.

This accounting change will not lead to more transparent financial disclosure and will, in fact, complicate and obfuscate the interpretation of financial statements.

I urge FASB to table the proposal immediately.

Sincerely,

Debra Davis

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