From: jstoner@welchstatebank.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 8:02:56 PM

James Stoner
P.O. Box 129
Welch, OK 74369-0129

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:

Thank you for the opportunity to respond to the FASB Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

My name is James Stoner and I'm the President of the Welch State Bank in Welch, Oklahoma. We are a rural agriculture community in the Northeast corner of Oklahoma. Our asset size is two hundred million with 53 employees. I personally handle the bond investments for the bank.

We are a sub chapter S bank with five shareholders. Most of our activity is rural, nonconforming, residential real estate and agricultural real estate and operating loans. We also do municipal equipment leasing in five states. Twenty five percent of our assets is in the investment portfolio. All of our loans are

I am writing to urge FASB to not go forward with the proposal.

We originate all our loans and retain them. The only reason we sells loans is because of our legal lending limit.

The primary business of our bank is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

Our bank operation by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

I 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.

I oppose requiring institutions to record demand deposits at fair value.

I 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.

Establishing fair values for the types of loans held by many community banks like our bank 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. The only people who view our statements are the five stockholders, our auditors, and our regulators.

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. Many bankers saw the credit losses coming and wanted to increase their loan loss reserves but were stopped by the regulators because of the FASB requirements.

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.

The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

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

Sincerely,

James Stoner
918-788-3373