1810-100 Comment Letter No. 1984

From: <u>bwise@missioncommunitybank.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 21, 2010 1:30:41 AM

Brooks Wise 3380 S. Higuera San Luis Obispo, CA 93401-6926

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 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.

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

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

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.

I have tried to imagine just how this accounting change would be implemented in a real world setting. A challenge that may not have been considered is the impact this accounting rule would have on our clients.

Most of our small businesses have simple financial presentations. Some use a CPA to prepare their financial statements, but many do not and rely on software programs. Determining fair-value based on their internally prepared company statement will be difficult. As a result, a small business may be required by their bank to hire a CPA to complete this work. This could! result in increased expenses for the small business at a time when they can least afford it.

Establishing fair values for the types of loans held by many community banks, like our bank, could be costly for both the bank and our clients and result in data of questionable reliability.

We oppose requiring institutions to record demand deposits at fair value

as well.

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

Sincerely,

Brooks W. Wise 805-597-6122