

From: bhann@reliancebank.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: Tuesday, September 21, 2010 9:03:00 AM

Barton Hann
1119 12th St.
Altoona, PA 16601-3419

September 21, 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, and as such I am writing to urge FASB to not go forward with the proposal.

Like most community banks, at Reliance Savings Bank we fund our operations by gathering deposits and holding loans for the long term. Most financial instruments that Reliance Savings Bank hold are not readily marketable, and most investments held in portfolio are there solely to provide a ready source of liquidity and to help fund new loans made in our community. Most investments are held for long-term and are not "traded." Applying a "fair market value" calculation to these types of instruments would misrepresent our balance sheet in a significant way.

We oppose the proposal that would call for core deposits to be re-measured against a present value calculation. The impact of this requirement in times of resources - additional staff - needed to complete the calculations would be substantial on a small bank of our size, and at the end of the day this is not going to provide meaningful information.

We also oppose requiring institutions to record demand deposits at fair value. In our opinion, another misguided proposal.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows. Again, the time and resources required to complete the analysis is going hit community banks like us dis-proportionately and will misrepresent our balance sheet.

Reliance Savings Bank has always been managed in a conservative manner for the past 70 years. As we know our loan portfolio better than any regulator or outside auditor, we desire more flexibility in setting the allowance for loan and lease losses. The allowance should be based less on historical loan losses and more on leading indicators and qualitative factors that would allow a bank to more accurately reserve for potential loan losses.

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 increase the volatility of Reliance Savings Bank's balance sheet, potentially forcing us 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. Please consider withdrawing the above-referenced proposal.

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

Sincerely,

Barton Hann
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