

From: bvogel@newmarketbank.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 12:03:20 PM

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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:

I want 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.

Because of the subjectivity that goes into estimating values, as well as timing this proposal could greatly misrepresent the financial condition of our bank and other community banks.

Our primary business (as is that of most community banks) is to originate and hold financial instruments for our portfolio, not to trade them on a regular basis.

We fund our operations by taking deposits and holding loans for the long term. Other than investments that we hold for liquidity and supplementary income most financial instruments we hold are not readily marketable, and would be nearly impossible to accurately estimate a current price.

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 ours that have limited staff resources to conduct the analysis.

We also oppose requiring institutions to record demand deposits at fair value as this would be highly subjective and costly to do.

Community banks such as ours make and hold small business loans for which there is no active market; it would be nearly impossible, and very costly to mark them to market.

To preserve our service to the local community we need flexibility in setting the allowance for loan and lease losses. Throughout various economic cycles it is very difficult to absorb losses and raise capital. Since we have these constraints what might be temporary changes in values

could result in having to merge a or sell the bank because of the ALLL or capital constraints the accounting rule might mandate

For these reasons the proposed accounting changes will exacerbate cyclicity in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements, and probably cause us to make short term adjustments that could hamper our long term needs..

These accounting changes will increase the volatility of our balance sheets, force 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.

Thank your for the opportunity to comment on this proposal, and please take into consideration the real effects that this rule change would have on our bank, and the people who depend on us to be here..

Sincerely,

Robert Vogel
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