

**From:** [cjordan@fsb1908.com](mailto:cjordan@fsb1908.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 11:58:29 AM

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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:

How do you come up with a market value for a loan with collateral consisting of one tractor, 15 cows, 2 pigs and 37 chickens ? Now, I say that somewhat in jest but it does bring home my point. I can understand where the proposed changes would benefit the investor in regard to large banks, but the community bank model works quite well as it now stands. Please consider the following points:

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

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.

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 oppose requiring institutions to record demand deposits at fair value.

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.

The expanded reporting of comprehensive income is unnecessary, confusing and of little use to most financial statement users.

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.

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

Sincerely,

Chris Jordan  
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