

From: mgallegos@valleybankandtrust.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Wednesday, September 22, 2010 5:25:45 PM

Mindi Gallegos
PO BOX 926
STRASBURG, CO 80136-0926

September 22, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As a Branch Operations Manager of Valley Bank & Trust, a banking institution in Strasburg, CO, I am writing to express my opinions on specific provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. And having to base our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not going to be the case.

We work through the collection process with the borrower if paying it back starts to be a struggle rather than selling the loan.

The loan is just one part of the financial relationship that we have with some customers, there is no financial incentive for us to sell part of that relationship.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

I support the Board's efforts to revise the methodology to estimate loan

loss provisions. However, I have serious concerns about how such changes can be implemented by banks like ours.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms .

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting.

It is very important that the term "reasonably effective" be better defined.

Thank you for considering my comments.

Sincerely, Mindi Gallegos, BOM

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VALLEY BANK & TRUST