

From: tmcfarlane@hometownbancorp.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: Thursday, September 23, 2010 10:28:05 AM

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Fond du Lac, WI 54935-4333

September 23, 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 taking the time to review my concerns relative to FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.

I am the CEO of a 200MM community bank in Fond du Lac Wisconsin and our market consists of small communities in East Central Wisconsin. We specialize in lending to small business.

I strongly oppose the proposal as I believe that we will see the cost of preparing financial reports increase while the quality of information for the reader will diminish. You see, we extend loans with no intention of selling them as there is no defined market for the types of loans we routinely make. This is the business of community banking. Given the fact that these are held to maturity instruments and there is no defined market we will see volatile swings in the fair value calculations based upon the assumptions used to value these assets. Given our assets are not negotiable instruments with readily marketable fair values and the process of determining the value will be onerous for small institutions. I believe that this methodology will create more inconsistency and less reliability for parties utilizing the financial reports to evaluate and compare our performance.

I also oppose the the proposed accounting treatment for deposits for many of the same reasons.

The proposed accounting changes will exacerbate cyclicalities in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

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.

Again, thank you for taking the time to review and consider my comments on the proposal. Should you have any interest in discussing, I may be

contacted at 920-960-7693.

Tim McFarlane
President/CEO
Hometown Bank

Sincerely,

Timothy McFarlane
920-907-0862