

**From:** [rcummings@myalliancebank.com](mailto:rcummings@myalliancebank.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 28, 2010 8:00:49 AM

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September 28, 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.

I am writing to urge FASB to not go forward with the proposal. Alliance Bank is a \$263 million community bank located in northwest Indiana serving 7 small communities. We are already struggling to comply with mortgage regulations and rules because of our small markets. We are challenged to find comparable sales to support home prices. There aren't sufficient sales to generate comps. It will be the same when we try to market pricing loans.

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 Alliance that have limited staff resources to conduct the analysis.

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 Alliance.

Community banks such as Alliance create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market.

Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to

absorbing losses and raising capital during times of economic difficulties, such as the current environment.

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

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

Sincerely,

Roger Cummings  
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