From: khimmelhaver@iabanks.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: Thursday, September 16, 2010 2:18:11 PM

Kevin J. Himmelhaver
118 E ludwig Road
Ft Wayne, IN 46825-4245

September 16, 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 the EVP & Chief Financial Officer of Independent Alliance Banks ("IAB"), a two-bank holding company located in Fort Wayne, Indiana with $900 million in assets, I am writing to express my company's opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

We are 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.

The original premise of recording loans on our company's balance sheet is to hold to maturity. IAB does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is definitely not the case.

If there are issues with a borrower's ability to repay a loan, we always work through the collection process with the borrower rather than sell the loan.

In addition, there is no active market for many of our loans, and estimating a market value makes no real sense.

This new requirement would require us to pay consultants and auditors to estimate market value, thus increasing our costs.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Marking all loans to market would cause our bank's capital to change with fluctuations in the markets - even if the entire loan portfolio is performing.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

Frankly, the effects of this accounting proposal would provide confusing information to investors, rather than improving it.

For the reasons stated above, IAB respectfully requests that the fair value section of the exposure draft be eliminated.

II. COMMENTS ON LOAN IMPAIRMENT

IAB supports the Board's efforts to revise the methodology to estimate loan loss provisions. However, we have serious concerns about how such changes can be implemented by banks like mine.

We recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

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

We do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. We recommend maintaining the current method.

Thank you for considering my company's comments.

Sincerely,

260 469 6265
Executive Vice President & Chief Financial Officer
Independent Alliance Banks