2012-260
Comment Letter No. 130

Bank of Botetourt
P.O. Box 615
Troutville, VA 24175
at Troutville

May 29, 2013

Leslie Seidman
Chairman
FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

Dear Chairman Seidman:

Bank of Botetourt appreciates the opportunity to comment on the Exposure Draft: *Financial Instruments – Credit Losses* ("ED"). We are a community bank with ten full-service offices operating in the four counties in Virginia. We have almost 100 employees. At December 31, 2012 we had $295 in total assets, including a $240.3 million loan portfolio and a $14.4 million investment portfolio. The compositions of those portfolios are as follows:

Loan Portfolio

	2012	%
Commercial	$ 17,448	7.3
Commercial Real Estate	85,079	35.4
Consumer	11,395	4.7
Residential - Prime	107,481	44.7
Agricultural & Raw Land	18,964	7.9
	240,367	100.0

Investment Portfolio

Government-sponsored enterprises	57%
State and municipal securities	43%

The process to calculate our quarterly ALLL estimate encompasses many departments and employees throughout our bank including lenders, credit administrator, and accounting department to cite a few. Atleast 35 hours of labor is involved in the calculation at quarter-end.

We support the points in the American Bankers Association comment letter and believe the Banking Industry Model ("BIM") will satisfy FASB's objective to recognize credit losses earlier than the current incurred loss model. However, instead of the huge costs that will be incurred to implement a "life of loan" analysis, the BIM requires much less time and cost to implement while maintaining the integrity of the provisioning process.

We agree that credit losses should be recorded when they are expected, but the life-of-loan projection required by the Current Expected Credit Loss ("CECL") model in the ED requires bankers to make projections farther into the future than we are capable of making with any level of reliability. The only alternative may be to hire third-party modeling companies that have access to large amounts of data and are able to integrate professional economic forecasts effectively into the model. Effectively, however, we think this will require us to accrue for losses that are neither reliable nor necessarily "expected" by us.

In one of the examples in the ED, it is suggested that vintage data can be used to estimate the remaining percentage of losses that a vintage should expect. However, over the past ten years, our data indicates that there has been no predictability of when, during the age of the loan, it will become impaired. For our Bank, high charge-offs occurred following the recent recession, no matter the age of the loan. Therefore, it appears that this approach using vintage data is not necessarily a valid predictor.

Our current core computer system for a small bank our size has limitations. Some of the historical data needed was not captured electronically at the inception of the loan. Our Bank anticipates that many labor hours will have to be endured to manually transfer loan data from our paper loan files to our computer system for computation of the ALLL described in the ED, thereby complicating the modeling process.

Again, we agree with the comment letter written by the American Bankers Association dated May 14, 2013, and we believe the ED needs to be significantly amended for the reasons noted above as well as in their letter.

Thank you for your attention to these matters. Please feel free to contact me if you would like to discuss our views.

Sincerely,

Michelle A. Crook

Michelle A. Crook

Senior Vice President & CFO