



LETTER OF COMMENT NO.

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VIA EMAIL (director @fasb.org)

Director Financial Accounting Standards Board Emerging Issues Task Force

RE: EITF0604 – Comment Regarding Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

To Whom It May Concern

First National Bank, Sallisaw (FNBS) desires to respond to the request for comment on EITF Issue No. 06-04, dealing with split-dollar accounting.

It is our understanding that the EITF proposes to require accruals during an employee's service period for any post-retirement benefit promised under a split-dollar arrangement. FNBS strenuously objects to this proposal for the following reasons:

- Bank regulations exist that permit a bank to hold Bank-Owned Life Insurance (BOLI) up
  to a specified amount of capital. Requiring banks to retained earnings could cause a bank
  to exceed that percentage which in turn could invite regulatory criticism. This result
  would be unfair to FNBS, its shareholders, and its depositors, when present accounting
  practices are already working just fine.
- 2. The second possible result of the proposed rule change for FNBS would be the potential of having to completely terminate the plan. This could cause multiple negative effects to include loss of benefits to key employees. This could also potentially cause FNBS to have to cut back on benefits it provides to other employees.

Another important factor that seems to make this proposed change not needed is that our CPAs, accountants, and Federal Bank examiners have never suggested the need for FNBS to accrue for present value of the death benefits related to its split-dollar arrangement. Why does the bank need to accrue for a benefit that is covered by an insurance policy? This just doesn't make sense, and we would appreciate your response to this question should the EITF's proposal be adopted.

Sincerely.

Bob Doss,

CFO and Board Member