

**From:** [Teresa Keegan](#)  
**To:** [Director - FASB](#)  
**Cc:** [Charles Mueller](#)  
**Subject:** File Reference 1810-100  
**Date:** Monday, September 20, 2010 8:33:05 AM  
**Attachments:** [ole0.bmp](#)  
[ole1.bmp](#)

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Dear Mr. Golden,

I am writing to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Senior Vice President/Chief Financial Officer of Fidelity Bank, Edina MN with approximately \$350 million in assets, there are specific provisions that would affect our bank significantly.

## 1. FAIR VALUE

I am 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. Our bank is privately owned and this information would provide no value to our ownership.

Further,

- Our bank 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 not the case.
- If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.
- There is no active market for many of our loans, and estimating a market value makes no real sense.
- 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.
- This rule would exacerbate downturns in the economy and result in more inconsistencies in the reporting of financial instruments.

**The costs and resources that we will need to comply with this new requirement would be significant for no real added value. This will require us to pay consultants and auditors to estimate market value.**

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

## II. LOAN IMPAIRMENT

With regard to Loan Impairment, I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

I 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. I recommend maintaining the current method.

### III. HEDGE ACCOUNTING

With regard to Hedge Accounting, I support the change of the requirement that a hedge is “reasonably effective” (as opposed to being “highly effective”). This should make it easier for banks like mine to implement hedge accounting.

Thank you for considering my comments.

Sincerely,



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