

**From:** [afield@hcsbank.com](mailto:afield@hcsbank.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 4:33:32 PM

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Alicia Field  
351 Carolina Avenue  
Chester, WV 26034-1127

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 SVP-CFO of Hancock County Savings Bank, a mutual savings bank in Chester, WV with \$296 million in total assets, I am writing to express my opinions on the exposure draft.

#### 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 respectfully requests that the fair value section of the exposure draft be dropped.

Hancock County Savings bank is a portfolio lender. Our bank does not sell our 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. As a community bank, if there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower. We don't sell the loan. Even if we were to sell our loans, which we do not, there is no active market for some loans, and estimating a market value does not make sense.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information regarding our bank's soundness, the proposal would disguise it. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our customers and depositors.

As a small community bank, the costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value. The regulatory and accounting burden on small banks is already astronomical.

In addition, our customers and depositors have expressed no interest in

receiving this information. We believe our customers and depositors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

#### LOAN IMPAIRMENT

Our bank supports the Board's efforts to revise loan loss provision methodology. However, I have serious concerns about how such changes can be implemented by small community banks like Hancock County Savings Bank.

I recommend that any final model be tested by banks my size in order to ensure that the model is sensible and practical.

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 stable data to the volatility inherent in the the provisioning process. I recommend maintaining the current method.

In summary, the proposed "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." will have a drastic and costly impact if adopted. I believe the proposal will result in sharp asset-valuation declines due to market fluctuations. It will also result in a lack of clarity regarding how banks must perform valuations. It will further result in a process contrary to the business model of portfolio lending and especially penalize banks like mine for making long-term, fixed rate loans. I firmly believe the proposal will result in less accounting transparency, since significant interpretative judgement is necessary. Lastly, the cost of implementation and compliance is a burden that weighs heavily on small banks.

Thank you for considering my comments.

Sincerely,

304-387-1620  
SVP-CFO  
Hancock County Savings Bank