

From: pcrosby@passumpsicbank.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: Friday, September 17, 2010 9:07:43 AM

Peter Crosby
497 Railroad St.
St. Johnsbury, VT 05819-1643

September 17, 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 President & CEO of Passumpsic Savings Bank, a stock savings bank wholly owned by a Mutual Holding Company, located in St. Johnsbury, VT with \$579 million in total assets, I am writing to express my concerns on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the section of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. 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.

Outside of Government Guaranteed (SBA) loans there is no active market for many of our commercial and commercial real estate loans, and estimating a market value makes no real sense and would not be accurate given the multitude of factors outside of interest rate and term that would drive a market value.

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 about our bank's health the proposal would mask it.

Even if the banking regulators' Tier 1 capital rules excludes fair value fluctuations, they will still have to consider these effects.

Being a mutual company, with no transferrable equity, applying fair values to our financial instruments accomplish anything.

Additionally, (while not an accounting issue per se) this proposal will significantly limit the structure of loans we offer our customers. Fixed rate lending may become a thing of the past. This type of loan structure has been a key component of the growth and success of our economy over our history,

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

II. COMMENTS ON 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 community banks like mine.

Any final model needs to be tested against all sizes and types of banks to ensure it is solid and workable.

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. COMMENTS ON HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). It is very important that the term "reasonably effective" be better defined.

Thank you for considering my comments.

Sincerely,

802-751-4203
President & CEO
Passumpsic Savings Bank