

From: steve@peoplesfed.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: Tuesday, September 21, 2010 1:33:09 PM

Steven Caryer
212 W. 7th Street
Auburn, IN 46706-1723

September 21, 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 Chief Financial Officer of Peoples Federal Savings Bank of Dekalb County, a federally chartered thrift in Auburn, Indiana with \$470 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON 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. I just do not believe that this proposal would have any sort of material impact on the reasons that investors would want to invest in our Bank. Our bank does not sell our commercial loans. Basing our balance sheet on fair values could lead readers of our financial statements to assume that we will sell the loans. This just hasn't been the case at Peoples Federal. When there is an issue with the credit quality of a loan relationship at Peoples, we work with the borrower to find the best way to be able to collect the loan. There really is no active market for us to sell the loan into, even if we wanted to. This would make applying some sort of market price to an individual loan almost impossible. To me, using "best guesses" to value a substantial portion of our balance sheet would be very misleading to the readers of our financial statements. Additionally, the value of each individual loan relationship is different, to us, based on the overall customer relationship. Just because one loan has the same terms as another does not make the loans equal in value. One of the relationships could contain other accounts in addition to the loan which would make it more valuable to our Bank than it would to a one loan relationship or even to a potential investor outside of our bank.

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 or its ability to pay dividends, the proposal would mask it. The

past few years has proven this point. The value of our holding company's stock has declined, just like the values of most of the rest of our industry, however, Peoples Federal has not experienced the issues to the same depths as others in our industry. The costs and resources that we will need to comply with this new requirement would be significant. At a time when our industry is being bombarded by rising regulatory costs, this will require us to pay consultants and auditors to estimate the fair market value of our loans, but to what end. It just creates an additional layer of costs without the benefit that the additional costs should justify. To date, we have not had a single investor or potential investor ask us for this information. Why would we take on the additional costs for something they aren't asking for, and could negative effect the current dividend that they are receiving? We just don't believe that our investors would view these costs as being either reasonable or worthwhile.

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

Thank you for considering my comments.

Sincerely,

260-837-9155
Senior Vice President, CFO
Peoples Federal Savings Bank of Dekalb County