1810-100 Comment Letter No. 2621

From: <u>mwilbourn@wilsonmuirbank.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

**Date:** Monday, September 27, 2010 10:23:34 AM

Mike Wilbourn 107 N. Third St Bardstown, KY 40004-1525

September 27, 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 the VP of Finance of Wilson & Muir Bank in Bardstown, KY, a community bank with assets of \$375 million, I am writing to express my opinion on the exposure draft.

## I. Fair Value

I strongly disagree with the portion of the proposal that requires all financial instruments to be reported at fair (market) valued on the balance sheet, particularly portfolio loans. We do not sell loans other than secondary market mortgage loans. I believe this proposal will only confuse readers due to the subjective nature in arriving at values by individual institutions as there are no active markets for portfolio loans. The cost to implement such a proposal would require us to hire additional consultants and would be significant. We are an "S" Corp and our owners have expressed concern over the additional costs to comply with this proposal. For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be excluded.

## II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's desire to revise the methodology to estimate loan loss provisions but have serious concerns about how such changes can be implemented by banks of our size. I recommend that any final model be tested by banks of various sizes in order to ensure that the model is solid and workable. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

We 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 any time "subjective" determinations are incorporated into a proposal, the less reliable the information is to users. I recommend maintaining the current method.

## III. COMMENTS ON HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective". This should make it easier for banks like mine to implement hedge accounting. Once again I think any model should be tested by institutions of smaller size for feasability reasons.

Thank you for the opportunity to comment on this proposal.

Sincerely,

502-348-5996 VP - Finance Wilson & Muir Bank