

From: hmiles@bankofadvance.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 28, 2010 2:28:17 PM

Harold Miles
105 East Gabriel
Advance, MO 63730

September 28, 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."

I currently serve as President of the Bank of Advance located in Advance, Missouri and am also one its major stockholders. Our bank has approximately \$225,000,000 in total assets and \$160,000,000 in loans. I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I oppose the proposal as it relates to the reporting of all financial instruments, including loans, at fair value.

We originate and retain all of the loans on our balance sheet. We do not purchase loans from others and we do not sell any of the loans we make. Therefore, there is no value in applying fair value reporting to the loans on our balance sheet.

On the occasion a borrower becomes troubled, we work with that borrower to collect the loan. It is not an event that triggers the sale of the loan. Again, we do not sell our loans. All loans we originate are held in our portfolio until they mature or are otherwise repaid.

There is no active market for our loans, therefore providing an estimate of fair value based on a market that does not exist is simply not reasonable. Because no such market exists, significant costs will be incurred to derive estimates of fair value. No net benefit exists, costs will far outweigh any benefit.

Our stockholders have no interest in receiving this information. Our investors view the costs associated with fair value reporting as an unreasonable expense with no corresponding benefit.

Our bank requests that the fair value section of the exposure draft be

eliminated for the above reasons.

II. COMMENTS ON LOAN IMPAIRMENT

I have serious concerns about how revisions to the methodology to estimate loan loss provisions can be implemented by banks like mine.

It is vital that any new processes are agreed upon and well understood by regulators, auditors, and bankers before finalizing the rules.

I do not support the proposal for recording interest income as it 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 from the provisioning process. I recommend maintaining the current method.

Again, thank you for the opportunity to comment on these important issues affecting banks like mine.

Sincerely,

573-722-3517
President
Bank of Advance