

From: krogers@philobank.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 30, 2010 9:38:19 AM

Kevin Rogers
102 W. Washington, PO Box #380
Philo, IL 61864-9510

September 30, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

As President and CEO of Philo Exchange Bank, a banking institution in Philo, Illinois with \$78,000,000 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.

The costs and resources that we will need to comply with this new requirement would be significant. As a small community bank, this is going to be a very onerous provision. I suspect to comply with this rule, we would be either forced to hire additional staff or pay consultants and auditors to estimate market value. With increased FDIC premiums expenses we have already absorbed, our expenses have increased enough without adding staff. Particularly for an area that we believe is not a problem accounting wise.

There is no active market for many of our loans, and estimating a market value makes no real sense. Unlike investment securities, there will be no "bench mark" for the bank to use in valuing our loan portfolio. It will be a very subjective review at best. It will be nearly impossible to accurately value loans in the portfolio.

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 banks like mine.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable. I would also recommend that a standardized model be used at all banks. Presently, the calculation is quite subjective and must be basically developed individually by each bank. Regulators should provide a standardized model for use at every

bank to ensure banks across the country are evaluating this in the same manner.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

Thank you for taking time to consider my concerns about these new FASB rules. It is my hope the board will reconsider these recommended changes.

Sincerely,

217-684-2600
President & CEO
Philo Exchange Bank