1810-100 Comment Letter No. 2803

From: <u>Ideaton@centralbank.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: Thursday, September 30, 2010 3:13:45 PM

Luther Deaton 300 West Vine Street Lexington, KY 40507-1621

September 30, 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 Chairman, President & CEO of Central Bank, a \$2.2 billion community bank In Lexington, Kentucky, I am writing to express my opposition to 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.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case. 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. Our goal is to develop and serve long-term relationships that serve customers, our bank, our shareholders and our community.

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 be very confusing. In fact, I feel it would generate questions that would prove to be very difficult to explain to our shareholders.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value. Frankly, in the current economic environment community banks do not need to be spending more earnings on consultants.

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

1810-100 Comment Letter No. 2803

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 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 subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I strongly recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

859-253-6184 Chairman, President & CEO Central Bank