

**From:** [Kirk Billingsley](#)  
**To:** [Director - FASB](#)  
**Subject:** 2012-200 Proposed accounting standards update Topic 825  
**Date:** Thursday, September 20, 2012 1:24:09 PM

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Technical Director  
File Reference # 2012-200  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

RE: File Reference: # 2012-200 Proposed Accounting Standards Update: Financial Instruments (Topic 825) Disclosures about Liquidity Risk and Interest Rate Risk

Dear Financial Accounting Standards Board:

Thank you for giving us the opportunity to comment on the above mentioned exposure draft.

I am the Chief Financial Officer at Pendleton Community Bank headquartered in Franklin, West Virginia. We have assets of a little over \$260 million dollars as of this writing. I feel our size bank in a rural area is representative of thousands of other rural conservative community banks across the United States.

I am writing to express my concern and opposition to the proposed disclosures as outlined in the for the Disclosures about Liquidity Risk and Interest Rate Risk on a number of fronts. First I am worried about the diversity in the assumptions that will be used in the projections. There will be vast differences in prepayment speeds, deposit account decay rates, and these will be applied to the largest items on community banks balance sheets, our loans and deposits. If these tables are to be used for comparability, they will not serve the user well. Industry averages cannot be applied to the unique small business lending portfolio that is common in community banks loan portfolio. Often these prepayments speeds are determined more by moves in agricultural commodity prices and other local economic factors rather than in interest rate movements. Decay rates are determined more by age of depositor than interest rate movements.

The problems with using various assumptions carryover to the interest rate sensitivity reports also. My own experience in back testing our budget and projections, have shown me that actual results are more influenced by the changes in asset and liability mix (loan growth versus security portfolio growth, or CD funding compared to savings and checking account funding), than moves in interest rates. Thus projecting the effect on income, based on interest rate moves is at best a shot in the dark, at worst misleading to the reader.

Another concern with the proposal is the effort to produce uniform accounting standards that will apply to Citibank, Wells Fargo and Pendleton Community Bank. These one size fits all standards ignores the difference in the users of or financial statements. Our stakeholders are not the same, and do not have the same needs. As a private bank we do not have stock analysts following our every public financial disclosure and press release.

This brings me to my third concern. The financial burden this disproportionately places on the nation's community banks. All banks currently are required to do interest rate sensitivity and liquidity analysis based upon the complexity of their business activity. Community bank's stakeholders that use this information are our regulators, Board of Directors and Management. The analysis we currently perform monthly and quarterly meets the requirement and serves us well. Doing additional work in order to get our information in the required disclosure format will take additional time, will not provide our stakeholders with better information, and will increase audit fees. Our audit fees will increase since these disclosures will now be part of our financial statements. Our auditors will have to spend much more time digging into our projections, and our assumptions. Community bank's such as ours, have small accounting staffs, limited resources that would be additionally burdened by increase in our IT costs as software vendors try to develop software to analyze each of the various scenarios required under this proposal.

And this additional costly burden produces what benefit for a bank such as ours? For which stakeholder of a bank such as ours? Please reconsider this proposal, and think about stakeholders of small community banks and understand the real regulatory and financial burden that this proposal will have on us.

Thanks for soliciting our comments and taking the time to read mine.

Sincerely,  
**Kirk Billingsley, CPA**  
*CFO & SVP of Finance*

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