Ms. Leslie Seidman  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Via e-mail: director@fasb.org


Thank you for the opportunity to comment on proposed ASU Subtopic 825-15.

Old Point Financial Corporation ("Old Point") appreciates the FASB's efforts, however, it is difficult for management to accept the FASB's propose credit loss model under the Exposure Draft on the basis that it places a significant operating burden on the company.

Also, Old Point believes that the model may result in an overstatement of allowance for credit losses. As there is no standard process for determining the allowance for expected credit losses, it will be difficult to reliably and objectively generate. Old Point believes this will require a significant reduction in our capital in order to cover the increase in allowance if this proposed ASU were implemented.

Also, Old Point believes that the proposed ASU would result in a diminished comparability between financial statements of entities with an allowance for expected credit losses. As there is no established standard for implementing forecasts and predictions, preparers would likely start out using different methods to include the forecast information; this would compromise the comparability of financial statements. Additionally, the company believes it could be difficult to utilize forecast data with complete objectivity. This would expose our financial statements and their users to a considerable risk of containing subjective values for the allowance for expected credit losses.

Below are my responses to the questions which the FASB requested from preparers.

**Question 1:** Do you agree with the scope of financial assets that are included in this proposed Update? If not, which other financial assets do you believe should be included or excluded? Why?

Old Point agrees with the scope of the financial assets included in this proposal. Each of the assets included in this proposal have risk of credit loss and therefore should have standards in place to ensure accurate accounting for credit losses.
**Question 9:** The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectibility of the financial assets' remaining contractual cash flows. Do you foresee any significant operability or auditing concerns or constraints in basing the estimate of expected credit losses on such information?

Yes, Old Point believes there would be significant operability concerns or constraints in basing the estimate of expected credit losses on the information listed. First, the list of information the FASB has proposed as a basis for estimating the allowance for expected credit losses would lead to additional burdens. Attempting to design a process which uses such a variety of variables would be extremely difficult for a small community bank. Additionally, the addition of forecasts into the determination of an allowance for expected losses adds an unacceptable amount of judgment into the calculations. This would force Old Point to spend significant additional time providing evidence to ensure that the estimate is as objective and accurate as possible.

**Question 10:** The Board expects that many entities initially will base their estimates on historical loss data for particular types of assets and then will update that historical data to reflect current conditions and reasonable and supportable forecasts of the future. Do entities currently have access to historical loss data and to data to update that historical information to reflect current conditions and reasonable and supportable forecasts of the future? If so, how would this data be utilized in implementing the proposed amendments? If not, is another form of data currently available that may allow the entity to achieve the objective of the proposed amendments until it has access to historical loss data or to specific data that reflects current conditions and reasonable and supportable forecasts?

Old Point currently has access to historical loss data, and data to update that historical information to reflect current conditions. We may not have data to update that historical data to reflect reasonable and supportable forecasts about the future. Old Point, as a small financial institution, does not currently rely on information regarding future forecasts in determining our allowance for loan and lease losses. Additionally, the process of determining which data to use for forecasts would be very difficult for a small community bank.
**Question 11:** The proposed amendments would require that an estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results. This proposal would prohibit an entity from estimating expected credit losses based solely on the most likely outcome (that is, the statistical mode). As described in the Implementation Guidance and Illustrations Section of Subtopic 825-15, the Board believes that many commonly used methods already implicitly satisfy this requirement. Do you foresee any significant operability or auditing concerns or constraints in having the estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results?

No, Old Point believes this requirement of the proposal would not likely cause significant operability concerns or constraints. The company already satisfies this requirement.

**Question 12:** The proposed amendments would require that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly. Methods implicitly reflect the time value of money by developing loss statistics on the basis of the ratio of the amortized cost amount written off because of credit loss and the amortized cost basis of the asset and by applying the loss statistic to the amortized cost balance as of the reporting date to estimate the portion of the recorded amortized cost basis that is not expected to be recovered because of credit loss. Such methods may include loss-rate methods, roll-rate methods, probability-of-default methods, and a provision matrix method using loss factors. Do you foresee any significant operability or auditing concerns or constraints with the proposal that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly? If time value of money should not be contemplated, how would such an approach reconcile with the objective of the amortized cost framework?

No, Old Point believes this requirement of the proposal would not likely cause significant operability concerns or constraints. As the question notes, methods already exist which implicitly reflect the time value of money.
Question 13: For purchased credit-impaired financial assets, the proposed amendments would require that the discount embedded in the purchase price that is attributable to expected credit losses at the date of acquisition not be recognized as interest income. Apart from this proposal, purchased credit-impaired assets would follow the same approach as non-purchased-credit-impaired assets. That is, the allowance for expected credit losses would always be based on management’s current estimate of the contractual cash flows that the entity does not expect to collect. Changes in the allowance for expected credit losses (favorable or unfavorable) would be recognized immediately for both purchased credit-impaired assets and non-purchased-credit-impaired assets as bad-debt expense rather than yield. Do you foresee any significant operability or auditing concerns or constraints in determining the discount embedded in the purchase price that is attributable to credit at the date of acquisition?

Old Point cannot currently comment on this matter at this time, as the company has not purchased credit-impaired assets. However, the company believes this requirement of the proposal would likely cause significant operability concerns and constraints in the event that it would purchase credit-impaired assets. The determination of the portion of the discount in purchase price of a purchased credit-impaired asset attributable to the risk for credit loss would be extremely difficult to perform, and possibly introduce subjective bias into the accounting for the acquisition. Additionally, this would likely result in lack of comparability between otherwise similar entities, as a result of different entities using different practices to determine that value.

Question 14: As a practical expedient, the proposed amendments would allow an entity to not recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost basis of the financial asset and (b) the expected credit losses on the individual financial asset are insignificant. Do you foresee any significant operability or auditing concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

Yes, Old Point believes this requirement of the proposal would likely cause significant operability concerns and constraints. As the fair value of financial assets often fluctuates above and below book value, it would be difficult to, at each interim date and reporting date, calculate by individual asset whether it meets the criteria for this exception to recognizing expected credit losses. Additionally, the FASB’s proposal fails to adequately define “insignificant” as it relates to the expected credit losses on assets held at fair value with changes in fair value recognized in other comprehensive income. The company would have to calculate the relevant values to know whether or not the exception applies, and calculating the relevant values would be arduous.
**Question 15:** The proposed amendments would require that an entity place a financial asset on nonaccrual status when it is not probable that the entity will receive substantially all of the principal or substantially all of the interest. In such circumstances, the entity would be required to apply either the cost-recovery method or the cash-basis method, as described in paragraph 825-15-25-10. Do you believe that this proposal will change current practice? Do you foresee any significant operability or auditing concerns with this proposed amendment?

No, Old Point believes this requirement of the proposal would not likely cause significant operability concerns or constraints. The company already satisfies this requirement.

**Question 16:** Under existing U.S. GAAP, the accounting by a creditor for a modification to an existing debt instrument depends on whether the modification qualifies as a troubled debt restructuring. As described in paragraphs BC45–BC47 of the basis for conclusions, the Board continues to believe that the economic concession granted by a creditor in a troubled debt restructuring reflects the creditor’s effort to maximize its recovery of the original contractual cash flows in a debt instrument. As a result, unlike certain other modifications that do not qualify as troubled debt restructurings, the Board views the modified debt instrument that follows a troubled debt restructuring as a continuation of the original debt instrument. Do you believe that the distinction between troubled debt restructurings and nontroubled debt restructurings continues to be relevant? Why or why not?

Old Point believes that the distinction between trouble debt restructurings and nontroubled debt restructurings continues to be relevant. Troubled Debt Restructuring modifications are done to maximize the recovery of the asset. This is a concession the company wouldn’t otherwise make except for the fact that the borrower is having financial difficulties.

**Question 18:** Do you foresee any significant operability or auditing concerns or constraints in complying with the disclosure proposals in the proposed Update?

Yes, Old Point believes this requirement of the proposal would likely cause significant operability concerns and constraints. The additional disclosures, tables, and explanations required by this proposal would result in a significant amount of new work for preparers of financial statements. These would all also need to be audited, which adds a significant burden to the workload required of our auditors.
**Question 19:** Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient? If not, what additional guidance or examples are needed?

Yes, the implementation guidance and illustrative examples in the proposal are sufficient.

**Question 20:** Do you agree with the transition provision in this proposed Update? If not, why?

Old Point agrees with the transition provision in the proposal.

**Question 21:** Do you agree that early adoption should not be permitted? If not, why?

Old Point agrees that early adoption should not be permitted. Allowing early adoption would reduce comparability of financial statements, and harm users of those financial statements. Therefore, early adoption should not be permitted.

**Question 22:** Do you believe that the effective date should be the same for a public entity as it is for a nonpublic entity? If not, why?

Old Point believes that the effective date should not be the same for a public entity as it is for a nonpublic entity. As the users of non-public entities’ financial statements and the information they desire tend to be different than the users of public entities’ financial statements and their desires, the FASB may want to consider different requirements for public and non-public entities.

**Question 23:** Do you believe that the transition provision in this proposed Update is operable? If not, why?

Yes, Old Point believes the transition provision is operable. The company does not foresee any significant concerns with the cumulative-effect adjustment or the disclosures required if this proposal becomes effective.
Question 24: How much time would be needed to implement the proposed guidance? What type of system and process changes would be necessary to implement the proposed guidance?

Old Point believes that the implementation of the proposed ASU may take several years. There would be many changes necessary to the company's systems and processes to properly implement this proposal. Finding and determining the relevant data to use for the updating of historical information to reflect reasonable and supportable forecasts may take a significant period of time. There would be significant changes to the company’s process for calculating allowance to cover expected credit losses. Additionally, it may take a significant period of time to design a methodology/process for reliably estimating expected credit losses without significant subjective bias being introduced. Old Point will also need to design a process for calculating the fair value of loans and determining the effect of credit loss on that value. Each of these changes would individually require changes in software provided by our vendors, and then the company would need time to implement and test the new software.

Sincerely,

Laurie Grabow
Chief Financial Officer and Senior Vice President
Old Point Financial Corporation