1810-100 Comment Letter No. 1576

FISHER, HERBST & KEMBLE, P.C.



CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

September 29, 2010

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

<u>File Reference:</u> No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Members of the Financial Accounting Standards Board:

Fisher, Herbst & Kemble, P.C. provides accounting and tax services to 32 financial institutions throughout the State of Texas. These financial institutions are located in all parts of Texas and are active members of their communities. We are writing to express our concern and opposition to FASB's proposed changes to the way all companies including financial institutions account for financial instruments by the expansion of fair value accounting.

Our clients are typically holding loans on their books until maturity and are making loans that would be difficult to sell outside of their respective communities. Determining a fair value for these loans and deposits in these communities would involve a significant amount of judgment and would be based on Level 3 assumptions.

The additional burden of calculating and reporting on the fair value of all financial instruments will impact each of our financial institutions and will require significant additional expense due to the estimate and evaluation of the Level 3 assumptions. This effort will result in little or no benefit to how the entities are currently operated and managed. Additional costs would include accounting and trial balance software upgrades as well as training.

The judgment and expertise of calculating the fair value of financial instruments will vary significantly and arguably could lead to increased financial statement misstatements either due to error or fraud. The development of inputs and methodology will vary and can lead to dissimilar results and effectiveness.

The additional complexity in reporting and accounting will continue to make the financial statements less user friendly and more difficult to read and understand. The proposed interest income reporting results in an effective interest rate but misstates the net interest income which financial institutions use to manage their operations. This results in an added level of complexity and less transparency. We also do not support the measurement and recording of a core deposit intangible. Core deposits are a key part of our financial institutions but recording this intangible asset provides no additional value to managing the business.

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We do not support any changes on reporting for financial liabilities as amortized cost is the most reflective measurement of an entity's obligations. Disclosures of loan and deposit maturities and corresponding average rates in the footnotes could be helpful to the user of the financial statements in addition to the fair value disclosures and reporting already required in the footnotes.

Another impact to our communities is the possibility that short term loans or only variable rate loans would be granted so that fair value and book value are equal. This could negatively impact the companies operating in our communities by not offering a choice of loan options or not being able to provide an adequate loan structure. Many of these companies have little access to credit outside of their respective communities.

The recognition of credit impairment is inherently subjective and has also been a subject of debate over the last several years and is a project that should be separated from the current discussion. We support the specific impairment model in conjunction with a historical loss model with appropriate adjustments for current operating conditions.

Thank you in advance for your time and careful consideration of the above. It is our request that FASB would withdraw this proposal.

Respectfully submitted,

Alan Rich, Shareholder

Alan Rich