1810-100 Comment Letter No. 1898

From: <u>ctaylor@cgsbonline.com</u>

To: <u>Director - FASB</u>

Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities" Exposure Draft

Date: Monday, September 20, 2010 12:08:04 PM

Charles Taylor 1201 12th Street Altoona, PA 16601-3421

September 20, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. I am writing to urge FASB to not go forward with the proposal.

I am the CFO of C&G Savings Bank, a \$130 million FDIC-insured state savings bank headquartered in Altoona, Pennsylvania. C&G Saviings Bank is organized as a mutual savings bank and operates as a traditional thrift institution, making predominantly long-term, fixed-rate residential real estate loans to customers in Blair, Cambria and surrounding counties in rural central Pennsylvania, funded by deposits accepted from local residents and businesses.

As an accountant with over 20 years of experience in community bank accounting and financial reporting, it is my opinion that the proposed accounting standard not only fails to comply with the core principles of financial accounting, it actually conflicts with those core principles of conservatism and consistency. Furthermore, because the quality of information to be derived from the application of the proposed standard is very likely to be of questionable quality, the costs of preparing and presenting the required disclosures will far outweigh any benefit that may be derived by readers of financial statements.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. The primary business of community banks like C&G Savings Bank is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. C&G Savings Bank makes long-term, fixed-rate residential real estate-secured loans and other secured and unsecured loans to individuals. These loans are not marketed for sale or securitized but are held on the bank's balance sheet for investment until the borrower repays the loan. C&G maintains sufficient capital reserves to withstand any temporary changes in realizable value on these investments at any particular point in time. Establishing fair values for the types of loans held by many community banks like C&G would be costly and result in data of questionable reliability. Marking these assets to

market will only serve to mislead readers of financial statements by injecting volatility into the financial statements that is not representatiive of the true economic value of these assets over time. The expanded reporting of comprehensive income is unnecessary, confusing and of little use to most financial statement users.

We also oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis. The accounting department at C&G Savings Bank consists of myself and two other individuals. In addition to performing the accounting, financial reporting, regulatory reporting, and internal control functions, I also manage the bank's investment portfolio. As the complexity of accounting standards increases, we have been forced to rely on outside consultants to provide the information necessary to comply with ever-expanding GAAP. This proposal will likely require the assistance of additional outside consultants, with the associated costs amounting to 1 to 2 basis points reduction in the bank's ROA per year.

I firmly believe that the proposed standard will not provide readers of financial statements any information that will improve their understanding of the financial position and results of operations of community banks such as C&G Savings Bank. Indeed, application of the proposed standard will make it more difficult for readers of community bank financial statements to obtain an accurate picture of these organizations' financial position and results of operations. In addition, the costs of implementing the proposed standard will far exceed any benefits that may be derived from its implementation. Therefore, I strongly urge the Board to abandon this proposal.

Again, we thank you for the opportunity to comment on this proposal.

Sincerely,

Charles W. Taylor 814-944-2011