



L.A. Amundson

May 29, 2013

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

RE: File Reference No. 2012-260: Financial Instruments – Credit Losses

Dear Chairman Seidman:

First Security Banks appreciate the opportunity to comment on the Exposure Draft: Financial Instruments – Credit Losses (ED).

We are a \$440MM community bank group under family ownership with locations in Minnesota, Iowa, and North Dakota. We have 14 locations in mostly rural settings, focusing primarily on agricultural loans. We have a decent sized private label mortgage backed securities portfolio totaling just under 50% of tier one capital. We also have a large municipal bond portfolio.

We support the points in the American Bankers Association comment letter and believe the Banking Industry Model (BIM) will satisfy FASB's objective to recognize credit losses earlier than the current incurred loss model. However, instead of the huge costs that will be incurred to implement a "life of loan" analysis, the BIM requires much less time and cost to implement while maintaining the integrity of the provisioning process.

We agree that credit losses should be recorded when they are expected, but the life-of-loan projection required by the Current Expected Credit Loss (CECL) model in the ED requires bankers to make projections farther into the future than we are capable of making with any level of certainty. The only alternative may be to hire third-party modeling companies that have access to large amounts of data and are able to integrate professional economic forecasts effectively into the model. Effectively, however, we think this will require us to accrue for losses that are neither reliable nor necessarily expected by us.

Debt securities should be excluded from the scope of the ED. The ED has very little mention of application to debt securities and no examples. Currently we are accreting PLMBS's up, while simultaneously writing them down if their performance declines over the quarter. While the current method makes little practical sense, the proposed method isn't any better. It is nearly

impossible to accurately predict future losses. It doesn't make any sense to pay good money to have a company model future performance for you when the output of the model is a guess. As I mentioned earlier, we have a sizeable municipal bond portfolio. The timeliness and quality of financial information provided by the municipalities is often poor, making the default backstop for evaluating impairment being fair value. My point here is while the idea of projecting future performance is a great idea; in reality it is nearly impossible for these projections to give us any reliable data.

In one of the examples in the ED, it is suggested that vintage data can be used to estimate the remaining percentage of losses that a vintage should expect. However, over the past ten years, there has been no predictability of when, during the life of the loan, it will become impaired. Therefore, it appears this approach using vintage data is not necessarily a valid predictor.

Again, we agree with the comment letter written by the American Bankers Association dated May 14, 2013, and believe the ED needs to be significantly amended for the reasons noted above as well as in their letter.

Thank you for your time and attention to this matter. Please feel free to contact me to discuss further.

Sincerely,



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