

From: r.krug@fsb-traer.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities"
Date: Monday, September 13, 2010 6:17:53 PM

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September 13, 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 the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I am the Vice President & Trust Officer of Farmers Savings Bank & Trust, a bank located in Traer, Iowa with approximately \$145 million in total assets. I write to convey my beliefs on certain provisions of the draft under consideration.

I am strongly opposed to the section of the proposal which requires all financial instruments of the bank, including its loans, to be reported at fair market value on the balance sheet of our bank. Our bank does not sell commercial loans, rather keeping them all in-house. To report financial instruments at fair values on the bank's balance sheet may well lead readers of this information to assume we sell commercial loans, when we do not.

All of the bank's commercial loans are serviced locally and we communicate with our borrowers directly to resolve credit issues - we do not sell off problem commercial loans.

To label all of this bank's loans under the mark-to-market method would result in unrealistic fluctuations in the value of our portfolio. The proposal's directive to follow the mark-to-market method would seriously mislead readers of our financial reports and would cause uncertainty about their true meaning.

Even if the banking regulators' Tier 1 capital excluded the fair value fluctuations, our bank staff will have to be trained to explain the fluctuations to our investors, customers and depositors.

At a time when community banks such as ours seek to best utilize resources to inform our customers, this requirement would add cost to this effort and would require the use of additional compliance professionals, such as auditors or other consultants, to establish this questionable market value.

I ask that you remove the section of the proposal relative to fair market valuations.

I write to also address any efforts by the Board to revise the methodology for assessing loan loan provisions. Having complied with current impairment computations, I believe the methodology is now known and understood by community banks and I have concerns about how the proposed changes to the model would improve the current model. I believe testing in banks of our size would be prudent and that any rule changes be of real benefit to the impairment computation process for all involved in its implementation and assessment.

Also, I do not support the proposal for recording interest income in the impairment calculation. I ask you to exclude interest income from the estimation of impairment.

The process of impairment calculation is impeded when additional data subjects the assessment to misleading outcomes because of provisioning uncertainty.

I ask you to consider the consensus message of community bankers like me.

I thank you for your consideration of my comments.

Respectfully,

Richard A. Krug
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