

**From:** [p.price@bankofidaho.net](mailto:p.price@bankofidaho.net)  
**To:** [Director - FASB](#)  
**Subject:** File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"  
**Date:** Sunday, September 19, 2010 10:32:54 AM

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Park Price  
151 North Ridge, Suite 240  
Idaho Falls, ID 83402-4018

September 19, 2010

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

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Chief Executive Officer of Bank of Idaho, a banking institution in Idaho Falls, ID with \$247 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

#### I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

I am familiar with the distortions that occur when a financial institution is required to adopt fair value accounting. As a member of the Board of Directors of the Federal Home Loan Bank of Seattle, we have struggled with the difficulty and cost of complying with the requirements of fair value accounting. The Seattle Bank is a multi-billion dollar institution. We find it very difficult to find reliable methods to establish the value of our instruments and the cost can run in the hundreds of thousands of dollars.

Fair value accounting for a small community bank like ours is impossible from a cost standpoint. Further, we are a privately held bank, not publicly traded or listed, and our investors would not benefit from the expense incurred to comply with fair value accounting.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values does not benefit any reader of our financial statements. In any case, since we would find it almost impossible to find a market with which to compare our loans to establish a value. Our loans are not homogenous and are made in communities that are small and/or rural.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's

health or its ability to pay dividends, the proposal would mask it.

The cost/benefit analysis for our bank to comply with fair value accounting leads us to strongly oppose this section of the exposure draft. It is vital that small community banks continue to provide loan and deposit services to the businesses in the many small communities throughout Idaho.

Since we cannot absorb the cost of complying with fair value accounting, we would pass the costs along in the form of higher interest rates or fees to our deposit and loan customers. That would be counterproductive and damage the very people we are trying to serve.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

## II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

This is a very complex issue and will need to be well understood by banks like us, our regulators and auditors.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Any change in the way interest income is recorded will be very confusing as well as costly for small community banks and their investors. Therefore, I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

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President/CEO  
Bank Of Idaho