

From: pcyr@stedmondsfsb.com
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: Monday, September 20, 2010 8:58:06 AM

Pamela Cyr
1901-03 East Passyunk Ave
Philadelphia, PA 19148-2220

September 20, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO 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."

As CEO of St. Edmond's Federal Savings Bank, a community banking institution in Philadelphia, PA established in 1912 with \$320 million in total assets, I am writing to express my concerns regarding certain 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.

First and foremost, marking all loans to market would cause our bank's capital to significantly fluctuate from period to period- 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. Every \$ is important at our size institution, with just 6 branches and \$320 million in assets and less than 50 employees the proposals costs do not justify its means. Our institution will be forced to incur additional expense to auditors and consultants in order to comply.

Our bank does not sell our commercial loans. As such, basing our balance sheet on fair value may cause confusion to the reader who may believe we sell such loans.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan. In today's market there is significant differences between buyers and sellers, appraisals do not necessarily reflect what something is worth, purchasers of notes expect significant discounts and the proposal creates a means for interpretations of fair value that can create less comparability among institutions rather than more.

There is no active market for many of our loans, and estimating a market value makes no real sense.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, it will still cause significant confusion for less sophisticated investors, customers and depositors.

Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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

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

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

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.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

215-468-1700
CEO
St. Edmond's FSB