

From: chaskins@eurekahomestead.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: Thursday, September 23, 2010 10:43:08 AM

Cecil A. Haskins Jr., CPA
1922 Veterans Memorial Blvd.
Metairie, LA 70005-2640

September 23, 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 Chief Financial Officer of Eureka Homestead, a thrift institution in Metairie, LA with \$100 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.

Our institution makes mainly long-term residential mortgage loans and we do not sell most of our loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

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.

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

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

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our customers and depositors.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants

and auditors to estimate market value. As a small institution, we have very few employees and resources to accomplish the required work necessary to comply with this proposal.

Our customers, who are our investors since we are a mutual institution, have expressed no interest in receiving this information. We believe they would not view these costs, which must come out of our earnings, as being either reasonable or worthwhile.

At recent conference I attended, all of the Federal financial regulators who spoke said they were also opposed to this proposal.

For the reasons stated above, Eureka Homestead 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 institutions like mine.

I recommend that any final model be tested by institutions 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,

504-822-0650
Chief Financial Officer
Eureka Homestead