

**From:** [cjohannsen@firststatebankandtrust.com](mailto:cjohannsen@firststatebankandtrust.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 27, 2010 5:08:14 PM

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Charles Johannsen  
Box 549  
Fremont, NE 68026-0549

September 27, 2010

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

Dear Mr. Golden:

I would like to 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 President of First State Bank & Trust Company, a banking institution in Fremont, Nebraska with \$200 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 bank does not sell our commercial loans nor does it intend to. 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.

First State Bank & Trust has served our community and county for over 50 years. 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 really is no active market for most of our loans and to estimate a market value is senseless and likely expensive to do.

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 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.

Our shareholders have expressed no interest in receiving this information. We believe our shareholders would not view these costs, which must come

out of bank earnings, as being either reasonable or worthwhile.

For the obvious 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.

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.

I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

402-721-2500  
President  
First State Bank & Trust Company