

From: aphillips@communitystatebank-fl.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 30, 2010 4:18:18 PM

Angie Phillips
6672 SW 95th St
Hampton, FL 32044-4332

September 30, 2010

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

Dear Mr. Golden:

My name is Angie Phillips. I work for Community State Bank, a small bank with \$50 million in assets located in Starke, Florida. 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. My bank does not sell any of its loans. Basing our balance sheet on market values leads readers of our financial statements to assume that we will sell the loans, which is not the case. When issues arise with a borrower's ability to repay a loan, my bank works with the borrower through the collection process, but the loan is not sold. It is pointless to "estimate" the market value of loans, a lot for which there is no active market. Showing all loans at market value would cause fluctuations in the bank's capital-even if the entire loan portfolio were performing. The costs and resources needed to comply with this proposed change would be significant. We would be required to pay consultants and auditors to estimate market value. I believe that our stockholders would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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

II. COMMENTS ON LOAN IMPAIRMENT

I have serious concerns about how the proposed revisions to the methodology to estimate loan loss provisions will affect my bank and banks like mine. I would hope that any final model will be tested by banks my size in order to ensure that the model is solid and workable. Furthermore, 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. The proposed change to the way

interest income is recorded is 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,

9049647830
Compliance Officer/Senior Credit Administrator
Community State Bank