From:	linman@winchesterfederal.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 3:03:28 PM

Richard F. McCready, Jr.
57 South Main Street
Winchester, KY 40391-2601

September 30, 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 President of and Investor in Winchester Federal Bank, a savings and loan institution in Winchester, Kentucky with $172 million in total assets, I am writing to express my opinion on a specific provision of the exposure draft. 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. 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.

Additionally, we will tailor loans to fit our customer's needs. Such loans would not conform to loans in the active market, which makes estimating market value problematic. With no active market for many of our loans, estimating a market value makes no real sense. Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, deposit accounts, etc.), there is no financial incentive to sell.

The costs and resources that we will need to comply with this new requirement would be significant. With the recent passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, financial institutions will see compliance costs sky-rocket. This accounting change will add an additional burden. This will require us to pay consultants and auditors to estimate market value.

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. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors. We have already seen what a devastating effect mark-to-market can have during the recent economic crisis. Financial institutions had to accept government funds to shore up devastated capital and reserves.

As an investor, I feel adequately informed with the information in its current format, and would not welcome a change to the balance sheet and income statement that skews the data when compared with historical data. Our other investors have expressed no interest in receiving this information. Additionally, mark to market would alter my perception of otherwise strong banks.

My fellow investors and I 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.

Thank you for considering my comments.

Sincerely,

President
Winchester Federal Bank