



December 9, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

File Reference: No. 1880-100 *Clarifications to Accounting for Troubled Debt Restructurings by Creditors*

Dear Technical Director:

Citizens Bank of West Virginia appreciates the opportunity to comment on the exposure draft *Clarifications to Accounting for Troubled Debt Restructurings by Creditors* (ED). Citizens Bank is a community bank with \$240 million in assets serving central and eastern West Virginia. Citizens Bank understands the concerns with the identification and reporting of troubled debt restructurings (TDRs). However, we are opposed to the ED, as the ED proposes changes that will make the process to evaluate loan modifications unnecessarily difficult and complex, and it also misses the point on whether or not the related loans pose increased credit risk to the bank.

The changes proposed will, if implemented, require many changes to our processes to identify TDRs. These processes are based on certain specific guidance issued by our regulators and auditors in the past. For example, taking away past guidance provided by the Office of the Comptroller of the Currency and the Center for Audit Quality will add considerable complexity to that process. If we do not provide the documentation required to support the evaluation of the loan modification, we will likely be required to, by default, report the modification as a TDR. The amounts reported will then contain many cases of legitimate loan modifications whereby no significant concession has been provided. We do not believe this will result in better financial reporting. Further, we do not even have the information available to perform any kind of retrospective reporting of these modifications.

The level and volume of TDRs being identified and reported is growing at a phenomenal pace, as one might expect during these economic times. However, the new guidance lends itself to classifying many, many more loan modifications as TDRs when "insignificant" delays in repayment may be considered TDRs. For example, providing a short-term moratorium on principal payments (ie, three months or less) for a long-standing customer with satisfactory performance and a good credit history should not constitute a TDR, rather it should be a normal part of our business model. This type of modification and several other similar variations do not signal increasing risk in the loan portfolio, rather they provide temporary relief to borrowers. These borrowers, for whatever reason, have a short-term cash crunch that the lender obviously believes to be short-term in nature. These types of modifications need to be excluded from consideration as a concession.

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The ED also emphasizes the current standard's market-based trigger in identifying a TDR. The market trigger is the biggest problem in the current TDR analysis. Because of complexities related to specialized terms, collateral and personal guarantees applied to loans, it is very difficult to determine a "market" interest rate on most loans. However, even when a market rate is available, when the rate is not increased to the current "market", we do not agree that a TDR should be reported when additional collateral and/or guarantees have been provided and the resulting loan terms add no more credit risk to the bank.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me at nbonnell@citizenswv.com if you would like to discuss our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Nathaniel S. Bonnell". The signature is fluid and cursive, with a large, stylized initial "N" and "B".

Nathaniel S. Bonnell, CPA
Senior Vice President & Chief Financial Officer