



October 15, 2013

~~Mr. Russell O. Golden, Chairman~~
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Golden:

In 1990, there were 12,500 financial institutions. Today, there are less than half that number, 6,200. Less than 17% of this change reflects closures, leaving a very high number of disproportionately small banks choosing to exit the industry.

Why? The only meaningful economy of scale in banking is being able to spread rapidly escalating regulatory and accounting costs over a larger asset base.

The Peoples Bank is a \$350 million community bank in Pratt, Kansas, whose history spans 126 years. Our conservatism has helped us survive the many financial panics, recessions, and the Great Depression. We have 81 employees who provide tailored financial solutions to more than 8,000 customers.

As I explained to my former business school accounting professor, Bob Swierenga, 15 years ago, ~~the one-on-one relationships forged by community banks do not fit empirical models~~ the way much larger commercial banks and investment banks fit a model. Those institutions were designed via a model, some of which I wrote at one time in my career.

Those theoretically forward looking models are inherently flawed by critical assumptions based on imperfect information. What is the default rate three years from now on a \$215,000 home loan to a borrower with 20% equity, a 740 credit score, and two steady paychecks? How does that default rate change if the local economy is in a recession and the couple is now self employed? Now, make it much more complex by looking at a \$500,000 commercial loan.

Our estimate is that the proposed FASB update for Financial Instruments -- Credit Losses will take our current time allocation for loan loss analysis from 10% of one accountant's time to close to 75% of his/her time. Furthermore, we have significant doubts that the resulting model will be more accurate than the combined wisdom of our team.

A better solution is to permit banks under \$50 billion in assets to use the proposal put forth by the ICBA, relying on historical loss observations as a baseline, adjusted to reflect actual, probable losses. While we are not able to predict the future, we sure have a powerfully vested interest, 126 years and counting, in being conservative in assessing our problems assets.

Thank you for considering my thoughts. Should you have any questions, please do not hesitate to call me at 620-672-5611.

Sincerely,

A handwritten signature in cursive script that reads "Porter Loomis".

J Porter Loomis
President