

March 2, 2009



LETTER OF COMMENT NO. 34

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

FSP FAS 107-b: proposed amendments to the disclosure requirements of FASB Statement 107,  
Disclosure about Fair Value Instruments

Dear Mr. Golden,

We appreciate the opportunity to comment on the proposed FSP referenced above. As a firm that provides assistance to approximately 300 financial institutions that utilize information that we provide to complete their annual FAS 107 footnote, we have a “vested interest” in seeing that this FSP pass as proposed. However, our ethics preclude us from supporting this FSP given our perception of the limited value the disclosure requirement would provide to financial statement users relative to the cost.

We can understand the desire and support the argument of need to disclose fair value changes on an interim basis for financial instruments that are accounted for at fair value (e.g. trading assets, available for sale securities, derivatives, etc...). These instruments affect reported earnings and/or GAAP capital and are valued each reporting period. Therefore the incremental effort to prepare interim fair value footnotes is marginal relative to the benefit of potential value to a financial statement user.

We ask the FASB to consider the following as they debate the FSP and the merits of interim financial period disclosure of fair value measurements for financial instruments that are not accounted for at fair value:

1. *Utility*: The fair value information that is provided annually for financial instruments not accounted for at fair value has provided limited (if any) real value to financial statement users since FAS 107 was implemented based on discussions we have had with investors and stock analysts that cover the banking sector. A particular concern relates to exactly what is the “fair value” of an illiquid loan portfolio. Especially loans for which terms and conditions are being met by borrowers, but for which a steep discount would be applied if held to a “mass liquidation” or “market” test such as what is being currently applied to investment portfolios.

Mr. Russell G. Golden  
Financial Accounting Standards Board  
March 2, 2009  
Page Two

2. Confusion: Reporting fair value for financial instruments accounted for at amortized cost and comingling these results with those for instruments carried at fair value simply creates added “noise” in the financial statements for the end user. This can be especially problematic for loans that are required to capture a “credit component” in FAS 107 per FAS 157. Is the objective to communicate that if Banks were forced to liquidate their loan portfolios, or account for them at such “fair values”, that the industry would cease to exist since there is not enough capital to go around? Is this really reflective of how the vast majority of banks conduct their day-to-day business as managers of ongoing cashflow vs. the “trading” of their balance sheets based on market value fluctuations?
3. Accuracy: For most banks, most loans and deposits sold would be determined via level three valuation techniques under FAS 157 guidelines. Most financial statement users understand that these valuation techniques are less than perfect or, particularly in this day of financial system upheaval, fictitious. If this is understood, why go through the exercise with regularity?
4. Cost: To calculate the value of financial instruments not accounted for at fair value, there is a cost and required tie up of resources that we have found to be excessive for our clients on an annual calculation basis. An interim financial reporting period disclosure requirement would exacerbate the poor cost / benefit dynamic of the exercise. We are concerned that FAS107 disclosures will take on a life of its own, especially as relates to credit risk component of loans.

Mr. Golden, the burden of cost and effort for the potential reporting requirement that the fair value of all financial instruments covered by FAS 107 be disclosed for interim financial reporting periods is difficult to support in the best of times, and even less so in the face of the current financial situation that is already taxing the banking industry. We recommend that the FASB limit interim fair value disclosure requirements to those financial instruments that are accounted for at fair value and exclude those that are not. We recommend that FAS107 be limited to year-end reporting.

Sincerely,

Darling Consulting Group, Inc.