Gentlemen/Ladies:

I am writing you today in regard to FASB Mark to Market Proposal. As an investor and banker I am opposed to any form of Mark to Market as history has shown there is little good that has come from it during times of economic distress and no need for it during economic expansion.

Since investors and bank management normally do not manage their long-term loan portfolios on a fair value basis, the proposal will result in less relevant information than amortized cost. Additionally, drastically higher costs will be incurred to provide these fair value estimates without benefit. Since the accounting will not reflect how the bank is managed, people may misunderstand the results and the expectations of management action. This could result in unwarranted damage by clouding transparency. The requirements in the proposal introduce complexity that most investors do not need or want (both for publicly and privately held banks).

The reliability and comparability of bank capital, since it will largely be dependent on the fair values of assets with no active markets, will drastically diminish. The reliance on individual modeling in order to determine "market" credit and liquidity spreads on most commercial loans (which normally have both non-standard underwriting criteria and non-standard terms) will likely confuse investors.

The unnecessary volatility of, and the decline in confidence in, bank equity will cause an increase in the cost of capital, due to perceived increased risk by certain members of the market. This will invite more short-selling and other short-term trading activities (which will feed volatility). The increase in the cost of capital and in higher operational costs may eventually drive out product offerings that may be subject to greater fair value volatility (loans with long-term, fixed interest rates, or to those with lower credit scores are examples) or drive up the rates offered.

I do not expect most bank customers to fully understand fair value results. Therefore, there is increased risk with depositors and other bank customers, who may withhold (or pull out) funds or other business, based on media reporting of fair value losses or deficits. While this certainly is not expected to occur with frequency, it is increased considerably under the proposal, especially considering that commercial loans, due to competitive pricing and required liquidity discounts, are often below fair value on day one.

Thank you for your consideration.

Most Sincerely,

Frank L. Carson, III

Chairman and CEO



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