

September 2, 2010

Technical Director File Reference No. 1810-100 FASB Norwalk, CT

Via e-mail: director@fasb.org

Texas Heritage Bank is a \$90 Million community bank in central Texas. We have three branches and 35 employees. The bank was chartered in 1931 and is privately held. I serve as CEO and I am a shareholder/Director of the bank.

I am writing to ask that you reconsider your proposal that banks be required to value assets on their balance sheets, including loans, using a fair value approach. The following are my concerns if the proposal is enacted:

- If required to mark loans to market, we will be disinclined to make longer term loans due to the greater risk of valuation. Pricing variables are subjective at best and are especially difficult to determine for smaller commercial loans. Fair value assumptions would vary from institution to institution and from geographic market to geographic market.
- The rule would require us to recognize changes in fair value under "other comprehensive income" on the balance sheet, resulting in the possibility of significant swings in book value of assets. This type of volatility would not be conducive to a well-functioning capital market. Downward swings in loan demand would mean lower values for assets and, of course, reduced capital ratios.
- The changes would result in significant new costs for compliance in an environment when banks are under great pressure to improve earnings.
  We already will incur significant new compliance cost pressures due to the new Financial Reform Act, recently signed into law.

Thank you for the opportunity to comment on this proposal.

Sincerely, Steven S. Mack Chief Executive Officer