From: Jennifer Griffis

To: Director - FASB

Subject: Fair Value Accounting for Loans

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Does anyone at FASB understand the consequences of the proposed mark-to-market rules for loans? As a CPA, credit union employee, and investor, I can say that this is quite possibly the worst idea that FASB has come up with (and there have been some doozies). Several observations:

- -- Since most financial institutions, particularly credit unions and community banks, hold loans to maturity and have no intention of selling them, what is gained by reporting artificial losses? Unless a loan becomes uncollectible, the book value of the loan appropriately reflects the economic value. If it becomes uncollectible, it is written off. Our allowance for loan losses exists to provide for potential losses. That method has worked well for many years.
- -- This proposal is expensive in a time when most companies cannot afford higher expenses. The rules would drastically increase audit and compliance costs. While that may be great for audit firms from the standpoint of revenues, they will also be shouldering additional risk. Audit times would be increased and would thus require additional hiring, particularly since many smaller firms do not have the expertise to perform these valuations.
- -- There is no active market for consumer loans, so how does one obtain a "market value"? Practioners would use different methodologies for determining these values, which would reduce the reliability and comparability of financial statements. Due to the subjective nature of the assumptions used in these valuations, any attempt to write down loans to market would be unreliable at best, outright incorrect at worst. And where is the relevance?
- -- Mark-to-market rules were responsible for the market collapse of 2008. The current proposal would cause so much uncertainty and volatility that we would likely see a repeat of that collapse, only much worse. As anyone who invests knows, markets are anything but rational. Add misleading information to the mix, and it's a recipe for disaster. Didn't FASB learn its lesson two years ago? It took Congress stepping in before the markets started to recover.

In summary, these rules would do nothing but confuse financial statement users and the markets while providing no discernable benefit.

It seems more and more that FASB is coming up with increasing complex accounting rules in order to justify its own existence. Given the almost universal opposition to these proposed rules, both in the U.S. and the international community, I hope that you reconsider your position and scrap this dangerous idea.

Sincerely, Jennifer A. Griffis, CPA