From: <u>ana.weaver@swst.com</u>
To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

**Date:** Thursday, September 30, 2010 10:03:26 AM

Ana Weaver 1201 Elm Street Dallas, TX 75270-2102

September 30, 2010

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

Dear Mr. Golden:

## Dear Sirs,

As an banker, I do not see how the FASB proposal to "fair value" is going to help society as a whole or investors or users to better understand the financial statements of banking companies. It strikes me that FASB is confusing value with price. Price is determined in the marketplace under the great influence of buyers and sellers (fear, greed and the herding instinct) and the immediate concerns and pressures of the marginal buyers and sellers. Price can be and frequently is far removed from values which are appraised considering longer-term factors and future norms and uncertainties. Price can be known with greater precision (just look to the last sale or trade) than value which will incorporate the expected future cash flows and other factors which the marginal seller is less likely to stop and contemplate. Sellers and buyers are frequently not in balance. Please don't use "value" to describe what you would be doing with this change, because it is not value but price you are describing. Price is easy to know but value always has its uncertainties. Every asset will have a "price" at which it can quickly be turned to cash and that price for almost all assets is likely less than its value to the user of the asset in the business. We don't "price" physical plants used in a business but depreciate it over its useable life and write it off when it is no longer used in the business (sometimes at a gain and sometimes at a loss). Loans of a banking institution are similar in my view. The market will not understand the distinction between price and value so your proposed accounting change will introduce greater short-term focus and less longterm consideration into both lending practices and the value of banking institutions. As an banker I could take advantage of the volatility that is likely to occur as a result and could perhaps benefit, but whatever opportunity I might personally gain is likely to be over shadowed by the change in lending practices resulting from the accounting change (restricted credit) and the confusion of others as to the worth, viability and values of lending institutions. Most loans are made to be retained and if so should not be treated as securities which are securitized for the purpose of selling them. Thus there is a difference between the two. Loans which are retained and funded by long-term funding sources should not be treated as securities and thus I think this accounting approach is flawed. It should not be introduced into the

accounting statements. It should remain as a footnote which it currently is. As a footnote, it provides information without the confusion and misunderstanding that would result from incorporating this into reported financial statements. I don't envy the job the FASB has in determining appropriate accounting in an ever more complex and faster changing world, but I do hope you will consider the viewpoint that price and value are not the same and should not be confused in our accounting statements to introduce more short-term volatility and less short-term and even long-term economic success in a competitive market place with the synergies inherent between and buyer and a sellor. Thank you for allowing me the opportunity to comment on this legislation.

Sincerely,

Vice President Southwest Securities,FSB