September 29, 2010

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

Re: File Reference #1810-100

Dear Mr. Golden,

Thank you for this opportunity to comment on the exposure draft "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities". As Executive Vice President and Chief Financial Officer of First California Financial Group, Inc. ("First California" or "Bank"), a banking institution headquartered in Westlake Village, California with $1.4 billion in total assets, I am writing to express our opinions on specific provisions of the exposure draft.

I. Comments on Fair Value

After carefully reading the exposure draft and considering how it would affect our Bank's presentation of financial condition for investors, shareholders and customers, we are not in favor of the portion of the proposal that requires all financial instruments, including loans, to be reported at fair value on the balance sheet.

First California's business strategy is to attract individuals, professionals, and small- to mid-sized business borrowers in our primary service areas by offering a variety of loan products and a full range of banking services coupled with highly personalized service. Our business strategy also stresses the importance of customer deposit relationships to support our lending activities. Our ultimate goal is to offer customers a consistently high level of individualized personal service. We train our staff to recognize each customer, greet them, and be able to address them by name so that they feel as if they have their own "private banker" within our institution.

Given our Bank's strategy, we view each customer as a "relationship" that will endure for years to come. We are not in the business of churning customers nor are we in the business of churning the products that we offer to our customers (i.e. we are not in the business of selling loans, or any other products

that we make to our customers, to other banks or to the market in general). If there are issues with a customer's ability to repay a loan, we work through the collection process with the customer rather than sell the loan. We believe that this approach to maintaining and supporting customer relationships is the key to good community banking and it represents how we have always done business as a bank and how we will continue to conduct our business in the future.

As such, First California does not sell its loans or its customer relationships. Basing our balance sheet on fair values would lead readers of our financial statements to assume that we do sell loans, which is not the case. Even if we did sell loans (which we do not) there is no active market for many of our loans, and estimating a fair value would be difficult if not impossible using Level 3 inputs, with the result being misleading to users of our financial statements. Even if we could easily obtain a market price, since the loan is just one part of the "customer relationship" that drives our strategy, there would be no financial incentive to sell.

Looking beyond customer relationships and to community banks in general, marking all loans to market would cause a bank's capital to sway with fluctuations in the market – even if the entire loan portfolio were to be performing. Instead of providing better information about a community bank's health or its ability to pay dividends, the proposal would mask it. And even if the banking regulators' Tier 1 capital were to exclude fair value fluctuations, community bankers would still have to explain such fluctuations to its investors and customers. This simply does not represent the business or the strategy of First California and the costs and resources that we would need to utilize to comply with the proposal would be significant. This would require us to pay consultants, experts, and auditors significant amounts to estimate and audit fair values. Our investors have expressed no interest in receiving this information and we believe that our investors would not view these costs as being reasonable or worthwhile.

Given the strategy of our Bank and the users of our financial statements, we respectfully request that the fair value section of the exposure draft be eliminated.

II. Comments on Loan Impairment

We support the Board's efforts to revise the methodology to estimate loan loss provisions. However, we have concerns as to how such changes would be implemented at community banks like ours. As such, we recommend that any resultant methodologies or models be tested/piloted by a selection of community banks between the sizes of $1 billion and $10 billion in assets in order to ensure that the model is robust and comprehensive. We also feel very strongly that any final methodologies or models are well understood and agreed upon by each of the regulatory bodies, each of the top 10 accounting and auditing firms, and the bankers to which the rules will apply prior to finalization.

We do not support, however, the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is recorded to the proposed method makes the accounting more confusing and

subjects otherwise firm data to the volatility that comes naturally from the provisioning process. As such, we recommend maintaining the current method.

We appreciate having this opportunity to comment on the Board's exposure draft and hope that you find our comments both helpful and constructive. Should you have any questions regarding this response or any of our comments contained herein, please do not hesitate to call me at 805.322.9333.

Sincerely,

Romolo Santarosa
Executive Vice President and Chief Financial Officer