CASTLE CREEK CAPITAL

September 30, 2010

Via Email: director@fasb.org

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

File Reference: No. 1810-100

Dear Mr. Golden:

Thank you for the opportunity to comment on the Proposed Accounting Standards Update *Accounting for Financial Instruments and Revision to the Accounting for Derivative Instruments and Hedging Activities* (the "Proposal").

Castle Creek Capital ("Castle Creek") is a private equity firm based in Rancho Santa Fe, California. Our firm has been a leading community bank investor for over 20 years, providing over $1.7 billion in long-term capital to community banking institutions and completing over 50 bank acquisitions. Given our role as investors solely focused on the banking and financial services sector, we appreciate and support the Board's efforts to improve the reporting model for financial instruments. However, we feel strongly that elements of the Proposal will hinder our analysis of banks by reducing the relevance and transparency of information in financial statements while further exposing the industry to detrimental pro-cyclical effects.

Our analysis of banking focuses primarily upon evaluating the expected future performance of a bank's core business model which traditionally involves an inherently long term lending portfolio supported by a stable deposit base. Under the Proposal, both loans and deposits would be measured at fair market value in accordance with the method currently used for financial instruments held for sale in the near term. Given that banks generally hold their loans to maturity, we instead view that the economic valuation of the underlying cashflows related to these loans is more accurately reflected by the amortized cost with adjustments for credit impairments. Application of fair value accounting would instead place excessive valuation emphasis on near-term volatile market factors related to liquidity, credit spreads and interest rate risk, which are of considerably less relevant for evaluating the long term performance of the underlying cashflows. This distortion from volatile market factors on fair value would be exaggerated during periods of economic distress when markets typically cease to function efficiently thereby creating even more significant variances between the market and economic value of the loan.

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In addition, since there is no liquid market for loans, the underlying assumptions used to determine these fair value adjustments are highly subjective and could vary significantly by bank and region. The inherent subjectivity and variance involved would make us very hesitant to rely on the resulting fair market adjustments in our investment decisions, while also having the effect of reducing comparability, a key component in analyzing performance and financial position.

One element of the Proposal that we do consider beneficial to investors is the intended revisions to the credit impairment model and related disclosures. The recent credit crisis clearly indicated the need for reforms to insure more robust transparency in assessing credit risk exposure and the adoption of a more full-cycle loss perspective rather than the current incurred-loss model which significantly impeded timely recognition of losses. The proposed removal of probability thresholds should help to address this issue by allowing for earlier recognition of expected credit losses. However, in our opinion, these expected losses should take into consideration not only sufficient historical experience, but also to some degree current and future expectations.

In conclusion, while we appreciate and encourage the intent of the Proposal to provide investors with more a timely and representative depiction of financial instruments, we are highly skeptical that the proposed changes will beneficially effect our ability to analyze the financial statements of financial institutions enough to warrant the considerable cost of implementation for the financial institutions and the potential impact from its misrepresentation of their underlying value. We appreciate the opportunity to share our views on this matter and thank you for your consideration.

Sincerely,

David Volk
Director
Castle Creek Capital

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