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## First Bank & Trust East Texas

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September 22, 2010

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

File Reference: No. 1810-100 *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

Dear Members of the Financial Accounting Standards Board:

I am writing today to express my concern and opposition to FASB's proposed changes to the way banks prepare their financial statements; expressly, the expansion of fair value accounting to all financial instruments.

1810-100 expands current mark-to-market accounting by requiring banks to record all financial assets and liabilities at fair value on their balance sheets. The proposal does not take into consideration that community banks hold their loans for long-term investment purposes. Surely you remember as recently as 2008 when the financial markets struggled to find prices on financial instruments with no ready market? It is interesting to think how much more chaotic it would have been if your proposal was in effect in the years before the crisis and financial instruments had been written up to levels that were much higher before the collapse of the market. Your proposal would require community banks to "find" prices in that type of environment on an ongoing basis. You are proposing taking a known factor and replacing it with what is at best a guess. Furthermore, given that no real market exists for these type of financial instruments it creates an environment where a great deal of latitude could be taken in valuing instruments where the "correct" value is not known.

There may also be some undesirable side effects to the consumer. During a period of rising rates it may prove beneficial for banks to be more aggressive in their repossession efforts to move loans with unrealized losses from their books even though in most cases they could have, and would have worked through the

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issue with the customer. Furthermore, will banks be motivated to make loans that are not short term in nature during periods of rising rates at all?

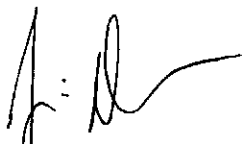
At a time when community banks have seen their bank insurance fund premiums increase significantly and are burdened with the ever increasing cost of compliance with new regulations this proposal adds yet more operating cost. What is the benefit to the banks? As we compare ourselves to other banks for operating purposes or look at expansion opportunities, the analysis will not be on the level of loans and the amount of the loan loss reserve, but rather on what valuation technique was used. Should we switch to their method? Can we make our bank more valuable just by changing how we calculate market value of loans? It seems that you are opening up an entire new business for Wall Street to come to our aid and show us how to "profit" from mark-to-market.

As a reader of financial statements I was taught to always read the footnotes first. Disclosing available market data within the footnotes and keeping with the traditional accounting standards keeps the statements factual while providing the reader with ample data to which to analyze the statements. Replacing it with the data which in many cases has no factual basis does not make the financial statements more informative.

Our national trade association (American Bankers Association) and state association (Texas Bankers Association) are both on record as to their stance on 1810-100. I support their position.

Thank you for taking time to consider my letter. I request that FASB withdraw this proposal.

Respectfully submitted,



Jim Denman  
Executive Vice President