

## First State Bank

September 24, 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 you to express my concern and opposition to FASB's proposed change to the way our bank will mark our financial instruments; namely, the expansion of fair market value accounting to all financial instruments.

The changes proposed in No. 1810-100 expand current mark-to-market accounting by requiring us to record all financial assets and liabilities at fair market value on our balance sheet. I am actively involved in our banks management including the review of the bank's loan portfolio. If a loan is not performing, we do not look at the value of the loan on the open market. Since we hold all of our commercial loans in house and do not sell them, looking at a "fair market value" serves no purpose to either our bank or our customers. If we experience a problem with a loan, we work with our borrowers to resolve the problem. Since we keep all our lending in house, it is in our best interest to maintain prudent underwriting practices and use sound decisions in our handling of problem loans. This approach has served us well since our bank was chartered in 1982 and we have seen a very low number of charged off loans during this time period in relation to other banks in our peer group.

The implementation of this practice would serve no tangible benefit to our bank but would have a negative impact by significantly increasing our accounting and personnel costs without any true benefit to our bank.

It is our worry that implementation of this proposal would have a negative affect on our lending processes causing us to take a very narrow, short term view in our lending approach to avoid the negative consequences this change in accounting standards would have on our bank's balance sheet and overall financial condition.



## First State Bank

Given the potential negative impact the changes present our bank and the lack of any perceived benefit to either our bank or our customers we ask for you to withdraw this proposal.

Sincerely,

Barry T. Gober Vice President