1810-100 Comment Letter No. 1187A

From: <u>carsond@bankofcommercestilwell.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:** Friday, September 24, 2010 4:18:08 PM

Drew T. Carson P.O. Box 512 Stilwell, OK 74960-0512

September 24, 2010

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

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As President and majority owner of Bank of Commerce in Stilwell, Oklahoma with approximately \$94 million in total assets, I am writing to express my opinions on the so-called Fair Value provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at so-called fair value (market value) on the balance sheet. There is no active market for the vast majority of our loans, and estimating a market value makes no sense whatsoever. Even if we could easily obtain a market price, which in fact would be impossible, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell. And in any event, our bank does not sell any of our commercial loans, period. If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan. Basing our balance sheet on so-called fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

As is the case with most well-intentioned but ill-advised regulatory proposals, the costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value, which is money down the drain, and capital depleted from the banking industry as a whole. No one,

least of all our investors, have ever expressed any interest in receiving this information. I can assure you that our investors would not view these costs, which must come out of bank earnings and capital, as being either reasonable or worthwhile.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

Thank you for considering my comments.

Cordially,

918.696.7745 President Bank of Commerce