From: andersk@oibank.com
To: Director - FASB
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Monday, September 27, 2010 4:04:26 PM

Katie Anderson
909 North 18th Street Suite 120
Monroe, LA 71201-5744

September 27, 2010

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

Dear Mr. Golden:

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

As the CFO of a Louisiana Bank that is approximately $480 million in asset size, I am writing to express my strong opposition to the current proposal.

I. Comments on Fair Value

I strongly oppose the current proposal to apply fair value accounting to most financial instruments, including loans, on a bank's balance sheet. While banks like mine must hold some marketable securities for liquidity purposes, we are not generally in the business of buying assets or liabilities for quick resale. The general business model of my bank, and other similiar institutions, is to generate earnings from taking deposits and making and holding loans to maturity.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case. It is not appropriate or useful to apply short-term valuations to these illiquid loan portfolios.

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. Even if we could easily obtain a market price, 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.

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. The application of mark-to-market will lead to diminished reliability and comparability of bank capital through distorted financial statements, since it will be largely dependent on fair value of assets with no active markets. To insert this type of unnecessary volatility in the financial statements will undoubtedly erod public confidence by presenting confusing data that is not representative of the bank and how it is managed.

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. Furthermore, our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, 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.

II. Comments On Loan Impairment

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine. I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support 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. I recommend maintaining the current method.

I appreciate the opportunity to comment on this very critical matter. Thank you for your consideration in this matter.

Sincerely,

CFO
Ouachita Independent Bank