

June 17, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
301 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 Mr. Golden:

The Financial Accounting Standards Board has the mark to market rules wrong for the banking industry and I hope that serious consideration will be given to withdrawing the exposure draft on this matter. I appreciate the opportunity to comment on *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("proposal"). As a bank investor and lifelong banker it is of utmost importance to me regarding the banks in which I own stock that their financial position continue to be strong in these difficult economic times. I respect transparent financial reporting is key in order for me to make investment decisions. With this in mind, I am writing to express my deep concerns and strong opposition to the portion of the proposal that requires all financial instruments to be marked to market. From a bank investor's perspective, this will cloud transparency rather than improve it. Why put bank capital at risk with an accounting rule that does not work for this industry or improve transparency?

Obviously those writing these rules do not understand how it will work against banks. In your proposal, banks must record loans on the balance sheet at their market value. The reason mark to market isn't discussed for loans is that investors are interested in how loans perform, not how the market views loan performance. Although I understand the rationale for providing banks with the ability to provide more robust loan loss reserves, I believe the focus on mark to market is not relevant for loans that are not being sold. Additionally, with individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as the basis for financial statements. Even if there were active markets, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive.

I understand that a loan's intrinsic value may change over time because of current interest rates or because of problems the borrower may have. But if there is a problem in repayment, the banks' typical process is to work the problem out with the borrower rather than sell the loan. Selling typically isn't even an option. So, even if it were easy to find a market value, that market value is irrelevant, since the bank would not sell the loan. As a result of your proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank.

You are negatively impacting community banking and that is a tragedy for America and its citizens. Because the proposal to mark loans to market does not reflect a bank's business model, requiring them to do so could result in a need for banks to change their business models. As an investor, my desire to hold equity securities generally declines as volatility increases. Because I do not view this as

“true” volatility, I will be in a quandary about the true reported financial position under the proposal. Investors like so many of my small town bank friends who don’t understand all of this will likely put pressure on banks to reduce the volatility, and, in many cases, this may result in shifting toward an investment banking model rather than a traditional banking model, or result in limiting products to those that are sheltered from market volatility. This, to me, seems to be an illogical and unintended result, and a situation where the accounting should not be driving the business model.

Additionally, I am very concerned about the costs and resources that will need to be dedicated to produce and audit such data. We have learned from the recent financial crisis that markets are sometimes illiquid and sometimes irrational. Because banks do not use fair values in managing their cash flows, I anticipate hiring more staff and/or consultants to assist with estimating fair values and to pay significantly higher audit fees. In the end, investors will be paying consultants and auditors significant sums to make estimates that my fellow shareholders and I will do nothing with.

I recommend you to drop your proposal to mark loans to market because from my perspective as an investor, it does not improve financial reporting.

Thank you for taking my opinion into consideration. Please do not further harm our financial system by issuing this proposal.

Sincerely,

Lori Anderson