Security First Bank

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

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's proposed changes governing Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. As CEO of Security First Bank this proposal would significantly change the way we would do business and I'm writing to express my opposition to the portion of the proposal that requires all financial instruments to be marked to market. We would become preoccupied with capital preservation rather than working with customers to meet their credit needs.

In your recommendation for change, banks will record loans on their balance sheets at their market value. We have never had to consider the market value as part of a credit display and write up, but now would spend as much time trying to anticipate the future value of cash flows and the impact on capital rather than the customers' and communities' needs. Since one third of our loans are to farmers and ranchers in Nebraska and South Dakota we could care less about the day to day market value of the loan. We do not sell loans and certainly, with the changes in the market place, do not buy loans. We are solely interested, as are the producers, in the cash flow serviceability of their loans and the underlying collateral based on current appraisals.

We compete daily with other GSE's, such as Federal Farm Credit. In numerous situations we provide the same types of long term financing the governmental agencies do on farm real estate, farm equipment, leased equipment, and breeding livestock. Having to now spend an inordinate amount of time and resources on market value pricing, especially when we do not sell the loans, would force us to cut products or simply price everything on a variable rate in order to reduce the impact on capital.

At a time when we have had to add eight additional compliance staff just to try and stay ahead of the anticipated regulatory burden we all see coming, it would seem illogical and ill-fated to push for such a dramatic change in the accounting rules. We are all trying to manage our capital going forward and this would appear to be one more attempt to hit the banks with new, over reactive regulatory change.

It would be impossible to truly come up with and compute "full fledged fair market values" of loans, and core deposits. There is no question that would readily determine what you are proposing. The volatility of the change and approach to "fair value accounting" would only further erode the existing community bank model, possibly forever.

Sincerely yours,

Greg Hunter

Gregory Hunter
CEO
Security First Bank