

July 12, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board (FASB) 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

## Dear Mr. Golden:

As a bank shareholder and officer, I am reaching out to you to share my concern and complete opposition to a portion of the exposure draft entitled "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

The element of the exposure draft that I find most alarming is the requirement that all financial instruments be marked to market on the balance sheet. Such a requirement would obviously encompass the largest asset category on a traditional bank's balance sheet – loans. Now, I realize that the value of a loan or portfolio of loans can change because of a change in the interest rate environment or because of cash flow problems facing a borrower or group of borrowers, but neither issue would normally spur a bank to sell the loans in a panic reaction. I believe that most banks and the shareholders who own them are more interested in how loans perform and less interested in how loans are perceived in the market place. In addition, a vast majority of loans are not necessarily created equal. Many loans possess their own individualized payment terms and collateral structures resulting in no truly reliable market in which they can be sold, further calling into question the relevancy of reporting such financial instruments at fair market value on balance sheets.

From my standpoint, requiring that all financial instruments, such as loans, be marked to market will do more harm than good. More volatility will enter into the equation as the most critical element of a bank's balance sheet, its capital, will be ping-ponged about as



the economic landscape experiences swings in its interest rates and the value of loans and other financial instruments go up and down in response. With increased volatility embedded in a bank's capital, there comes more scrutiny and fear from shareholders, regulators and the consumers as well. As a result, some banks may shift their focus toward operating more as an investment bank rather than as a traditional bank, thus limiting the array of products offered to the general public in an effort to lessen their balance sheet's exposure to market volatility.

In closing, I appreciate you taking the time to consider my comments, and hope that you will share them with others who have been given the task to finalize the verbiage in the exposure draft "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." Ultimately, I would hope that those responsible for the draft would see how vitally important it is that requiring all financial instruments, such as loans, be marked to market be eliminated in its entirety never to rear its ugly head again.

Sincerely,

Mark D. Simmer

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President