

From: [Bruce Shipley](#)
To: [Director - FASB](#)
Subject: Mark to Market Accounting
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Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Ct. 06856-5116

Dear Director,

As I read some of the articles discussing the proposed change to "Mark to Market" on loan assets held by banks, as a banker and an investor, I find that to be troublesome. Banks are already required to value loans through the rating process on credit quality which is the main determinant of the value of these assets. To further complicate the valuation process by adjusting for changes in interest rates does not add significant value. The net interest margin is already a widely known index that allows investors to see if the bank has properly priced and match funded assets to liabilities. If a loan is matched properly, it does not make sense to change the value of the loan unless you also change the value of the matched liability. For example, if we match fund a 5 year fixed loan with a certificate of deposit that we acquire through our own customer base (primarily IRA deposits), it does not make sense to reduce the value of the loan if rates rise or increase the value of the loan when rates drop. Both the loan and the deposit have prepayment penalties. How do we value those? Borrowings from the Federal Home Loan Bank are also used to match fund loans and carry prepayment penalties also. If we change the value of the loan, should we not also change the value of the borrowing used to match the loan?

As an investor in bank stocks due to my familiarity with the industry, I do not want the income statement to be influenced positively or negatively by artificial changes in loan values. In the low rate environment we are in now, banks would have shown huge increases in income due to mark to market of higher rate loans only to see prepayments alter the payback periods so the earnings would have been inflated. In a rising rate environment, banks will show declines in earnings due to mark to market even though deposits taken in at lower rates are still on the books until they mature.

Loans held for sale such as mortgages may be suitable for mark to market but loans held to maturity are not. The complications of marking one half of the balance sheet and not the other does not lead to a clearer understanding but rather less clarity. The expense to do these calculations and tracking is not good for investors in bank stocks.

I ask that you not impose this burden on banks and confusion on investors.
Thank you for your consideration.

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