

From: [FNBSGT-CLARK](#)
To: [Director - FASB](#)
Subject: FASB Proposal
Date: Monday, September 13, 2010 2:20:15 PM

Dear Sirs,

I write in opposition to the proposal that requires all financial instruments to be marked to market. From a bank investor's perspective, this will cloud transparency and put into question the most critical element of bank financial statements: bank capital.

I think that investors are interested in how loans perform, not how the market views loan performance. I believe the focus on mark to market is not relevant for loans that are not being sold. Also, with each loan having its own payment terms, collateral, and guarantee structures, commercial bank loans have no reliable market in which they could be sold, therefore making it impossible to determine a fair value.

I understand that a loan's value may change due to current interest rates or because of problems the borrower may have. But if there is a problem in repayment, our banks' typical process is to work the problem out with the borrower rather than sell the loan. So, even if it were easy to find a market value (and it won't be easy), that market value is meaningless, since the bank would not sell the loan.

Under the proposal, bank capital will be more directly affected by wild market swings. As a typical bank investor, I am less likely to (continue to) hold equity securities as the volatility increases. This actually clouds the value of small, rural banks like ours rather than clarifying the value of the bank. Some investors will likely put pressure on banks to reduce the volatility or to divest. This would result in less capital available to small, rural banks such as ours.

Lastly, I am very concerned about the costs and resources that will need to be dedicated to produce and account for such data. We have learned from the prior financial crisis, regulations cost and disproportionately cost small banks. I have no doubt that this would require our bank to hire more staff and/or consultants to assist with estimating fair values, purchase costly software, and to pay significantly higher audit fees. In the end, all bank investors will be paying consultants and auditors significant sums to make estimates that I will do nothing with and may actually be misleading in some ways in our rural Nebraska setting.

With this in mind, I recommend you to drop your proposal to mark loans to market, as, from my perspective as an investor, it will not improve financial reporting for our Nebraska bank.

Thank you for your time,

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