



Via email [director@fasb.org](mailto:director@fasb.org)  
File Reference No. 1810-100

September 14, 2010

Technical Director  
File Reference No. 1810-100  
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To Whom It May Concern:

I am writing today to address the Financial Accounting Standards Board's ("FASB") proposed accounting standard regarding Mark-to-Market accounting. As a community banker I have grave concerns about the impact to my financial institution that will result from the implementation of this proposal. This proposal would require all banks to value all financial assets on the balance sheet, including loans, using a fair value approach. I feel this would be bad for the banking industry, as well as, for the economy.

If this rule were to be enacted, it would decrease the amount of capital on banks' balance sheets, particularly during the downward part of the economic cycle when they most need capital to continue lending. It also would hurt banks' ability to lend and, of course, prove harmful to businesses seeking funding. This would result in impaired credit markets and unclear financial statements.

Here are several reasons why the proposal should be reconsidered:

- If loans were marked to potentially volatile market prices, banks would be less likely to accept the risk of longer-term loans. Loans held for collection or payment of contractual cash flows differ from short-term assets. Current market prices are not meaningful in assessing their value. It's hard to imagine how marking these assets to market would simplify and improve financial reporting.
- Institutions would recognize changes in fair value under "other comprehensive income" on the balance sheet, incurring huge swings in the book values of assets. This type of volatility is not conducive to a well-functioning global capital market. Downward swings in loan demand would mean lower values for assets and, of course, reduced capital ratios.

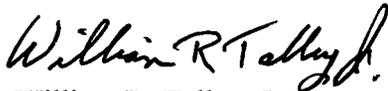
FASB  
September 14, 2010  
Page 2

- A stated goal of the FASB is to reduce inconsistencies in the reporting of financial instruments. Yet assumptions that establish the fair value of assets, especially those with no ready market, are neither precise nor are they interpreted and applied consistently. Fair value assumptions for loans can vary from institution to institution.
- Banks would be required to accelerate recognition of credit losses and periodically calculate the value of core deposits. This would call for tedious software changes and significant additional costs.
- The new rule would exacerbate downturns. Just last year the industry asked the FASB to loosen its fair value rules because they worsened the effects of the financial crisis because there was no market for assets, their market value was zero. Inevitably, this played havoc with capital ratios and clogged credit pipelines.

The FASB seeks transparency along with timely and representative information about a bank's exposure to financial instruments. By closing perceived gaps and inconsistencies in reporting, it is your hope investors will be able to evaluate the inherent risks involved. Yet I believe that mark-to-market accounting will not achieve this goal of greater transparency for users of bank financial statements. On the contrary, it will result in imprecise measurements at best and an impaired credit market at worst.

I thank you for your time in considering this matter. If you should have any questions, you can contact me at 240-529-1507.

Sincerely,



William R. Talley, Jr.  
Executive Vice President,  
Chief Financial Officer  
and Chief Operating Officer