

From: bruce.mercer@bankoffortbend.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Thursday, September 16, 2010 11:58:05 AM

Bruce Mercer
12946 Dairy Ashford Rd., Suite 100
Sugar Land, TX 77478-3149

September 16, 2010

Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

Good morning.

As president of Bank of Fort Bend, a community Federal Thrift bank in Sugar Land with approx. \$40MM in total assets, I feel compelled to voice my opposition to the Fair Value portion of the proposed "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

The effort and expense required for us to comply with this new requirement would be daunting, including the expense for consultants and auditors to estimate market value in changing market conditions. If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and I feel that estimating a market value is not a concern or important issue for our shareholders.

I feel strongly that marking all loans to market would cause our bank's capital to fluctuate with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be eliminated.

With regard to the Loan Impairment provision, I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have questions about how such changes can be implemented by banks like mine, and I believe that any final model be tested by smaller community banks my size in order to ensure that the model is solid and workable.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is

recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Regarding the Hedge Accounting provision, I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting. It is very important that the term "reasonably effective" be better defined.

The "shortcut" and the "critical terms match" methods should be maintained. This greatly helps medium and smaller banks like mine to reduce the cost of compliance with the hedge accounting rules.

Thank you for considering my comments.

Sincerely,

281-276-1801
President
Bank of Fort Bend

This message has been verified by CapwizXC as authentic and sent by this individual. Authentication ID: [NZR55Yn1]