AMERICAN RIVIERA
BANK

September 16, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference #1810-100

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Chief Financial Officer of American Riviera Bank, a banking institution in Santa Barbara, CA with $135 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments – including loans – to be reported at fair value (market value) on the balance sheet.

We are a community bank, which means that we are in the business of developing relationships. We do not sell our commercial loans, but rather choose our loans based on opportunities to help our community grow and flourish. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case. And may disruptive to our desire to build relationships and support our community.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower, not sell the loan. Impaired loans are already accounted for using a fair value estimate and are written down to current appraised values. In this way, the industry is already recognizing permanent changes in the fair value of loans. Current appraisals, regular monitoring and strong underwriting are all critical components of community banking. As such, we are continually monitoring the likelihood of repayment, which is the real value of the loan to a community bank. Value is not determined by the price someone else would pay for it without the deposits and related relationship. How is the value of the relationship considered?

Marking all loans to market would cause our bank's capital to sway 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 and create extreme and irrational volatility. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, community, customers and depositors.

Our Bank operates with a total of 20 employees, from the President to the teller. The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value in addition to the costs we already incur related to updated appraisals, BPO's and the regulatory burden of compliance to industry standards for underwriting and monitoring.

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Community banks, like American Riviera Bank, are in the business of making loans to people in our community and ensuring the borrower has the ability to repay those debts. We are not an investment company that buys and sells assets for profits. We invest in our relationships for the long term and our financials should reflect our business model.

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

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine. I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

Examiners, auditors and bank management are actively struggling with current methodologies for loan loss allowances. Community banks, like American Riviera Bank, with 20 employees can not afford to employ additional analysts, consultants or modeling systems to the determination of loan impairment. Previously acceptable methodologies are being challenged, but no solutions are being offered or agreed to. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules to avoid making the already existing confusion even worse.

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. The borrower continues to be liable for all interest accrued and accounting rules already exist to require all interest income accruals be ceased at certain triggers.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subject's otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

Michelle Martinich
SVP, Chief Financial Officer