

From: tvancouver@republicaz.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 12:38:06 PM

Thomas Van Overbeke
909 E. Missouri
Phoenix, AZ 85014-2650

September 16, 2010

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

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 President and CEO of RepublicBankAz, Phoenix, Arizona, I am writing to express my opinions on specific provisions of the exposure draft. At the present time we have \$56,000,000 in total assets, and only 10 full time employees.

1. COMMENTS ON FAIR VALUE

My primary concerns have to do with the application of "fair value" accounting standards to the entire balance sheet of our institutions and most specifically to the loan portfolios.

Over the years, since the use of mark to market accounting for our bond portfolios, the only thing that has been learned, is that if a bond is actually sold does one realize the profit or gain attributed to that particular bond. Mark to Market accounting is stated against the entire portfolio and represents an aggregate total of the institutions gain or loss, and actually distorts the financial picture of the institution by implying that one "might " sell the entire portfolio all at once. When portfolios are priced for this exercise, the pricing can never be accurate because it is point in time pricing for the portfolio that is "still owned". Even though it is easy to determine an almost current market value for Bonds, it can only be assumed to be an "estimate". Most community banks do not "Trade" their holdings in the manner that reflects the need for this type of accounting.

The same can be said for the application of these accounting standards to Loan Portfolios. Pricing of loans is a limited universe and is especially distorted by the current economic conditions and the bulk sale of portfolios from failed institutions.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer

(multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

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.

Thank you for considering my comments.

Sincerely,

602-280-9401
President and CEO
RepublicBankAz

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