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In Union Is Strength

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September 17, 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

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 the president of Union Savings and Loan Association, a mutual thrift institution founded in New Orleans, Louisiana in 1886 currently having $86,000,000 in total assets and 35% in reserves, 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/market value on the balance sheet. Our thrift has been a small local lender with a real sense of "know your customer" for over 100 years. We don't sell our loans. We are with our customers until they pay off their loans. 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 their loan. Basing our balance sheet on fair/market values leads readers of our financial statements to assume that we will sell our loans, which we don't do.

Marking all loans to market would also cause our capital to sway with fluctuations in the markets, even if the entire loan portfolio is performing. Instead of providing consumers better information about our institution's health the proposal would mask it.

The costs and resources that will be needed to comply with this new requirement will be significant. We will be required to hire outside consultants and auditors to estimate market value. This is just another unnecessary regulatory expense that a sound institution like ours should not be burdened with. These expenses continue to make it more difficult for the small fiscally responsible community institutions to survive.

For the reasons stated above, our association 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 thrifts 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,

Henry C. Schonberg
President and CEO