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

File Reference No. 1810-100

Dear FASB Technical Director:

Please reconsider marking loans to "market value." I understand the "first blush" reasoning, but in reality, this change will have major unwanted repercussions for the general public. An example follows:

- A very profitable/high character company (Company A) buys a manufacturing company in a town of 1,000 people.
- Company A applies to the local community bank for an \$800,000 loan on a \$1.6 million newly-constructed, highly specialized/specific purpose building.
- Without Company A's operating entity, the specialized building may sell for \$300,000. Is that market value?
- If so, at mark to market, the community bank would have a \$300,000 asset and an immediate \$500,000 expense of some kind. Can there be an expense entry to the income statement that does not affect quarterly and year-end earnings?

What community bank (\$500 million or less in total assets)—or any size bank—can afford that hit?

Also, all banks need capital to stay in business, and capital comes from investors buying stock or from retained earnings. Investors invest where there are earnings, and banks' principal earnings sources are loans (big and small banks). Which is more important to an investor of bank stock: earnings, or market-value balance sheets and less desirable income statements?

The loan to Company A would not be made, and jobs in a community of 1,000 would be lost. Company A and the bank may both be less attractive, due to earnings, to investors. The results of **mark to market accounting of loans is not a good idea for the general public or for banks.**

Sincerely,

*John L. Franklin*  
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President & CEO

JLF/wc

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