

Donald R Kimble, Senior EVP Chief Financial Officer Huntington Bancshares Incorporated Huntington Center 41 South High Street Columbus, Ohio 43287 614.480.5240

September 29, 2010

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

File Reference No. 1810-100

Re: FASB Exposure Draft of a Proposed Accounting Standards Update of Topic 825 and 810

Dear Mr. Golden:

Huntington Bancshares Incorporated is pleased to comment on the FASB's exposure draft of a proposed Accounting Standards Update (ASU) of Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815), Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

We are a multi-state diversified financial holding company headquartered in Columbus, Ohio. We provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. We have approximately 600 bank branches in Ohio, Michigan, Pennsylvania, Indiana, West Virginia and Kentucky.

<u>Fair Value of Financial Instruments</u> - We do not support the Board's efforts to require mark to market accounting for substantially all financial instruments. We believe that the majority of users of bank financial statements do not support fair value as a default model for recording financial instruments. Converting to this accounting treatment will distort the true capital levels of all banks, including our organization, and create unnecessary volatility in financial markets. We believe the proposed mark to market changes will impact the lending practices of many, if not all, banks. In addition, the proposed changes will add a significant monetary and time burden upon our organization both at initial adoption as well as for ongoing compliance.

Financial Accounting Standards Board September 29, 2010 Page Two

We acknowledge that credit risk should be reflected within financial instrument carrying values and support even more aggressive measures to reflect cyclical losses within a loan loss portfolio. But we strongly disagree with standards that result in market price volatility related to liquidity impacting capital, in particular, for financial assets we hold for contractual principal and interest payments.

We have consulted with numerous analysts from top investment banks and strategic firms in preparing our response. The almost unanimous opinion was that presenting loans, debt and deposits at fair value was not useful information. In addition, both the PricewaterhouseCoopers Survey: What Investment Professionals Say About Financial Instrument Reporting, (June 2010) and the Barclays Capital Survey: Bank Brief Newsletter Survey, (June 2010) show an overwhelming opposition to fair value as the default measurement by investment professionals. While we understand why some investors are in favor of the volatility resulting from fair value accounting, we believe the FASB should consider the opinions of the majority of financial statement users and allow amortized cost as the default measurement.

We believe this standard, if passed in its current form, will cause a fundamental change in the lending practices of U.S financial institutions. Lenders will cease originating and holding long-term fixed rate loans because these loans will be subject to potentially significant mark to market adjustments as markets change. Consequently, banks will hold predominantly variable rate short-term fixed rate loans. Certainly more complex financial institutions can acquire derivative instruments to hedge the interest rate volatility, but protecting against changing liquidity spreads will be difficult if not impossible.

We believe the guidance set forth in this proposed standard results in a significant burden to our organization. Although we are a sophisticated financial institution, we do not have trading desks that regularly trade financial assets. Currently, we engage a third party valuation specialist to assist in the preparation of our quarterly fair value of financial instruments footnote disclosure and the valuation is prepared by grouping loans into a manageable number of homogenous pools. This process, although not overly burdensome, extends beyond our normal closing cycle because of the timing of when certain summarized loan pool data is available. A full fair value model will require a complete overhaul of our three existing loan systems in order to provide the fair value data on a loan by loan basis to make it available for management reporting purposes. We foresee forming a new valuation department to oversee the assumptions associated with the valuing of our financial instruments at fair value.

<u>Credit Impairment</u> - We do not agree with the exposure draft as it relates to credit impairment. Specifically, a company should be able to consider expected future events in the determination of credit impairment, provided that such future expectations have a reasonable basis in historical results. We believe it is unrealistic to assume that existing conditions will remain unchanged for the remaining life of the financial asset. We disagree with the concept of recognizing credit impairment immediately in a pool of loans. The revenue associated with the loans will be

Financial Accounting Standards Board September 29, 2010 Page Three

recognized over an extended period of time and the associated costs (the credit impairment) should be recognized over the same period.

We disagree with the proposed methodology for recognizing interest income using a credit-loss adjusted financial asset balance. This process will be overly burdensome to our organization and does not provide useful information to the users of our financial statements. The proposed methodology will essentially net some credit losses against interest income and therefore obscure real credit losses.

We would like the Board to reconsider the proposed methodology related to purchased loans with credit impairment. The decision to remain with the former ASC 310-30 (formerly SOP 03-3) model will continue to lead to non comparability between certain loan categories. We believe a more appropriate methodology is to allow purchased loans with credit impairment to be recorded consistent with an originated loan that subsequently experiences credit impairment. At acquisition, the loan would be shown at the gross outstanding balance reduced for credit impairment and fair value adjustments. We also believe it should be acceptable to place acquired loans with credit impairment on non-accrual status using a consistent methodology with originated loans. We recognize that the proposed methodology can be applied to both investment securities and acquired loans, but we believe a better alternative would be to have consistent loan guidance and separate guidance for acquiring securities.

Hedging - We are generally in agreement with decisions reached related to Topic 815 Derivatives and Hedging. We believe the changes reduce the complexity of the existing rules and assist organizations in achieving an accounting result that more properly mirrors the economics of hedging transactions. We would like the Board to reconsider the ability to de designate and re designate hedging relationships. We generally use derivatives for balance sheet management purposes and the ability to re designate derivative relationships is a cost effective method to manage our risk.

We appreciate the opportunity to share our comments on the exposure draft. If you have any questions, please do not hesitate to call me at 614.480.5240.

Sincerely,

Donald R. Kimble, Senior EVP

Chief Financial officer