From: Scotty Bates
To: Director - FASB
Subject: Mark to market rules
Date: Wednesday, September 29, 2010 5:48:04 PM

Thank you for the opportunity to comment on the proposed rule change that would require banks to mark all financial instruments, including loans, to fair value on the balance sheet.

I work for a community bank in Texas that has assets in excess of $400 million, that does not sell any loans for any reason.

The accounting concept of "mark to market" is indeed *troubling* to us, should it come to pass. We already do that on our investment portfolio, so our capital fluctuates to a degree with the market since we have to consider the market value of each security in relation to its book value. We have to designate which securities in our portfolio are "available for sale" and which are "held to maturity." Those that are available for sale are valued each month as to their "market value", and if that is less than its book value, our capital is reduced by the aggregate "loss". To carry this further, as into the loan portfolio, our next largest asset, would be a nightmare in our case. The main question, I think, is where is the "market" for our loans? Another question is how to arrive at a "market value" for our portfolio. Our history (108 years) shows very few loan losses, so we believe that our loans are valued properly at our book value (100%). If someone other than our bank owned the same portfolio, I believe the collection rate would be far less than 100%. My experience with FDIC as a liquidator taught me that most all loans inherited by the FDIC from failed banks are not totally repaid by the borrowers. So what sense does it make to go through some exercise thought up by some accountants that changes our capital position every month that does not accurately reflect the value of our assets and bank? I do believe my perception of this exercise is the same for most all entities affected by such a plan. I think that it is unnecessary to reflect market fluctuations in the balance sheet, especially on notes due to banks for which there is no market in which they are sold or traded, and which are most always paid in full at maturity. In addition, still, as in days of old, bank examiners come to visit us regularly, and evaluate the value and quality of our loan portfolio, among other things. If, in their opinion, a loan is deemed to be uncollectable, we are instructed to remove it from our books, and thus our capital is reduced immediately. So, as long as we all do our jobs, the public, the government, as well as customers and onlookers alike, can be sure that our balance sheet is accurate.

I urge you to consider the repercussions of changing the rules and withdraw the proposal.

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