1810-100 Comment Letter No. 1734

From: <u>linda.hamilton@freestarbank.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

Date: Monday, September 20, 2010 9:27:54 AM

Linda Hamilton 1205 S. Neil St. Champaign, IL 61820-6543

September 20, 2010

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

Dear Mr. Golden:

As Executive Vice President and Chief Operating Officer of Freestar Bank, a banking institution located in Central Illinois, with \$400 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities".

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. There is no active market for many of our loans, and estimating a market value makes no real sense. Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing.

Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it. The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

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.

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.

Thank you for considering my comments.

Sincerely,

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217-352-6700 Executive Vice President and Chief Operating Officer Freestar Bank