1810-100 Comment Letter No. 1891

From: johnmoon@txcoastalbk.com

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 11:48:02 AM

John Moon, Jr. 6731 Spencer Highway Pasadena, TX 77505-1755

September 20, 2010

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

Dear Mr. Golden:

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 President and CEO of Texas Coastal Bank, a banking institution in Pasadena, Texas with \$37 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower.

There is no active market for many of our loans, which makes estimating a market value meaningless.

Marking all loans to market would cause uncertainty about our bank's capital and its ablility to pay dividends. We still will have to explain it to our investors, customers and depositors.

The costs and resources that we will need to comply with this new requirement would be significant and add no significant value to our information as currently presented.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

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. Any final model should be tested by banks my size in order to ensure that the model is solid and workable.

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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.

I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

2814874444 President and CEO Texas Coastal Bank