1810-100 Comment Letter No. 1992

From: <a href="mailto:mday@communitybizbank.com">mday@communitybizbank.com</a>

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:** Tuesday, September 21, 2010 1:30:43 AM

Mark Day 1550 Harbor Blvd., Suite 200 West Sacramento, CA 95691-3828

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 Chief Financial Officer of Community Business Bank, a banking institution in West Sacramento, California with \$143 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

## I. COMMENTS ON FAIR VALUE

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. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and estimating a market value makes no real sense. This is another case of attempting to evaluate an asset at a point in time as opposed to looking at trends in that value and arriving at a value over time. This "snapshot" value no more represents the true value now, with primarily foreclosures and short sales acting as comparables than the over-stated values of 24+ months ago. The current system is not foolproof, but is certainly better than that proposed.

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.

For the reasons stated above, our bank respectfully requests that the fair

value section of the exposure draft be dropped.

Thank you for considering my comments.

Sincerely,

916-830-3590 Executive Vice President & Chief Financial Officer Community Business Bank