1810-100 Comment Letter No. 1969

From: gdushan@frontbank.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 5:43:02 PM

Greg Dushan 17002 Marcy Street, Suite 120 Omaha, NE 68118-2933

September 20, 2010

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

Dear Mr. Golden:

I appreciate 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 Frontier Holdings, LLC, a bank holding company in Omaha, Nebraska with \$260 million in total assets among three small Nebraska community banks, I am writing to express my opinions on the Fair Value provision 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, rather we underwrite, retain and service them as do most community banks. 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. In the event 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 not only makes no sense but is burdensome, costly and of no benefit to our management, board, shareholders or other pertinent users of our financial statements. Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with our customers (multiple loans, deposit accounts, cash management services, etc.), there is no financial incentive to sell or otherwise fair value it.

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. Even if the banking regulators' Tier 1 capital calculations exclude fair value fluctuations, we will have to explain it to our investors, customers and depositors.

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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.

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

Sincerely yours,

402-779-8969 Chief Financial Officer Frontier Holdings, LLC