1810-100 Comment Letter No. 1088C

FIRST FINANCIAL BANK

SWEETWATER **#** ROBY **#** TRENT **#** MERKEL

MEMBER FDIC

Kirby N. Andrews

President & CEO

September 30, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

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 & CEO of First Financial Bank, N.A., a banking institution in Sweetwater, Texas with \$145 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

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. Even if we could obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, trust services, etc.), there is no financial incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets, even if our 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 excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors. 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 reasonable or worthwhile.

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

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Comments on Loan Impairment:

I support the Board's efforts to revise the methodology to estimate loan loss provision. However, I have serious concerns about how such changes can be implemented by banks like mine. I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

Kirby N. Andrews President & CEO

First Financial Bank, N.A.

Sweetwater, Texas