

September 29, 2010

Mr. Russell G. Golden  
FASB Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO 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:

I currently serve as an Executive Vice President of a \$7.4 billion publicly-held financial institution. I believe my professional experience puts me in a position to understand all the critical elements involved in the above referenced proposal. As a CPA, I have worked in public accounting, I have served as the Treasurer and Chief Financial Officer of a publicly held financial institution, and I have managed investment portfolios totaling \$2 billion. I have analyzed this issue in the following context:

1. As an investor and reader of financial statements
2. As an issuer of financial statements
3. As someone responsible for the management of a bank's balance sheet and interest rate risk

In my opinion, this proposal would compromise rather than improve the transparency of a financial institution's financial statements. Secondly, the proposal lacks broad-based support from the banking industry including its regulators and professional analysts that cover the industry.

Although the concept of fair value accounting has merit, attempting to apply these principles to a community bank's business model simply does not work for the following reasons:

1. Accounting for portfolio loans at fair value ("exit price") would result in temporary gains and losses that will never actually occur.
2. We would be introducing accounting volatility that does not reflect true economic volatility. This would be due to the inherent difficulty in determining fair value on assets with no reliable market value. (Valuing portfolio loans and deposits that will never be sold and for which there is no discernible market).
3. Each financial institution would have its own highly subjective methodology for determining fair value, thereby reducing comparability as opposed to increasing

transparency. Again, this is due to the lack of a discernible market for portfolio loans. To illustrate this point, assume Bank A lends \$20MM to a borrower and participates \$10MM to Bank B. Based on their internal methodology (Level III pricing due to lack of discernible market value for portfolio loans) Bank A and Bank B report different fair values and different net income for the exact same loan. This would not be an issue under historical cost as both banks would absolutely record the same income. Additionally, the fair values of the loan portfolio is already reported under FAS 107 under the current accounting rules allowing the reader to evaluate the balance sheets on a historical cost basis as well as a fair value basis.

4. Adoption of this proposal will result in valuing banks at their liquidation value rather than their franchise value. This is inconsistent with the investors focus on expected future earnings.
5. Investors understand that banks manage their business based on the spreads between earning assets and funding liabilities and not on the total return basis implied by fair value accounting. In other words, this proposal would degrade the transparency of banks because fair value focuses on liquidation value rather than recurring spread income.
6. Due to the increased accounting volatility, banks will be forced to alter their business strategies as investors will be placing significantly more emphasis on the short-term volatility of long-term assets and liabilities. Accounting practices should not be the driver of management behavior.
7. Finally and most importantly, the lack of active markets for most financial instruments on a bank's balance sheet, will compromise the integrity of a bank's balance sheet, resulting in the unreliability of reported capital. This will result in a loss of investor confidence and the unnecessary exit of capital from the banking system. Accounting rule changes should not determine the allocation of investor capital.

I implore the FASB to reconsider all portions of the proposal related to the measurement of financial instruments due to the above mentioned reasons. In conclusion, I believe that adopting this proposal would be misleading as the readers of the financial statements would rely on the highly subjective "fair value" as true economic value and not understand the inherent difficulties in applying fair value theory to illiquid assets and liabilities.

Thank you for your consideration of my letter and I appreciate the opportunity to comment on this proposal.

Sincerely,

James J. Consagra, Jr.  
Executive Vice President  
United Bankshares, Inc.

