

From: toddh@1cb.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Monday, September 27, 2010 5:18:25 PM

Michael Harper
252 Dogwood Dr.
New Braunfels, TX 78130-4899

September 27, 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 an investor of First Commercial Bank, N.A., a banking institution in Seguin, Texas with \$108 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.

I am actively involved in our bank and sit in on the bank's Board meetings, ALCO meeting and various loan committees. Unless a loan is not performing, we do not discuss the market value of loans.

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. As a community bank the issue of servicing the loan through out the life is very important to our borrowers, they do not anticipate us to sell them to a third party that they do not know.

If there are issues that arise with a borrower's ability to repay a loan, the bank works through the collection process with the borrower rather than sell the loan.

There is no active market for many of the bank's loans, and estimating a market value makes no real sense.

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

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, bank management still will have to explain it to our other investors, customers and depositors. Muddying the waters will not make the banking issue any better in the eyes of the public.

At this time our bank is already overwhelmed with new regulatory burdens that continue to increase daily. The costs and resources that the bank will need to comply with this new requirement would be significant with no true benefit. This will require the bank to pay consultants and auditors to estimate market value.

As an investor I have heard of no other investors that have expressed interest in receiving this information. I believe my fellow investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

It is my impression that FASB's intent was to provide consistent accounting globally and from what I understand the current proposal does not accomplish this.

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,

First Commercial Bank, N.A.