

From: jeff@cthb.net
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: Tuesday, September 28, 2010 11:58:19 AM

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September 28, 2010

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

Dear Mr. Golden:

I would like to make record of my strong opposition to the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities ("proposal"). I write not only as a bank investor, principal of a FINRA member brokerage firm and business owner, but also as a concerned citizen hoping for an improved business climate and economic recovery in our country. I support the need for strong regulation to maintain a healthy banking system, but your proposal does nothing to achieve that goal. Increasing complexity, cost of capital and operational costs can only weaken a recovering bank industry and economy.

I understand the rationale for providing banks with the ability to provide more robust loan loss reserves, but I believe the focus on mark to market is not relevant for loans that are not being sold. Additionally, with individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as the basis for financial statements. Even if there were active markets, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive. By forcing banks to mark a loan to some artificial value, you may force that bank into making an arbitrary decision that has no connection to how that loan would eventually perform. Obviously, a loan's intrinsic value may change because of current interest rates or because of problems the borrower may have. But if there is a problem in repayment, the banks' typical process is to work the problem out with the borrower rather than sell the loan. So, even if it were easy to find a market value, that market value is irrelevant, since the bank would not sell the loan. As a result of your proposal, bank capital will be affected by market swings

that cannot reasonably be expected to ever be realized by the bank.

Additionally, I am very concerned about the costs and resources that will need to be dedicated to produce and audit such data. I don't believe that adequate information exists that can accurately determine the added costs of this proposal. Increased staffing, higher auditing fees, and higher cost of capital can do nothing but hurt the bank investing climate. The costs of this proposal will go directly to reducing product availability to customers of banks that are attempting to grow their businesses and our economy.

With this in mind, I recommend you to drop your proposal to mark loans to market, as, from my perspective as an investor, it does not improve financial reporting.

Thank you for considering my views. Please feel free to contact me if you would like to discuss my concerns.

Jeff Breault
Vice President
Carey, Thomas, Hoover & Breault Inc.

Sincerely,

316 634-2222
Vice President
Carey, Thomas, Hoover & Breault Inc.