

**From:** [schweitzerj@univest.net](mailto:schweitzerj@univest.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:** Thursday, September 23, 2010 2:53:17 PM

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Jeffrey Schweitzer  
14 North Main Street  
Souderton, PA 18964-1713

September 23, 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 Chief Financial Officer of Univest National Bank and Trust Co. ("Univest"), a banking institution headquartered in Souderton, Pennsylvania with \$2.1 billion in total assets, I am writing to express our opinions on specific provisions of the exposure draft.

#### I. COMMENTS ON FAIR VALUE

We are strongly opposed to the portion of the proposal requiring financial institutions to report loans at fair value, when those loans are held for investment (collection of contractual cash flows) as opposed to held for sale. At Univest, as at most community banks, we do not sell our commercial loans, as these are not simply transactions, but relationships with our customers in which we have in essence invested in their business by providing financing to support their business and our local communities. Even when the borrower has shown signs of stress, only in extremely rare circumstances do we sell the loan, in which case we would transfer the loan to held for sale and record the loan at the lower of cost or market. Instead, like most community banks, we typically work with the customer through the collection process, which has historically produced the best outcome for both the bank and the customer. Requiring the use of a fair value accounting model with respect to these loans would be inconsistent with our business model, and the business model of the majority of community banks, and how we manage our business. Instead, we believe that loans held for investment, as opposed to held for sale, should continue to be measured at amortized cost. We believe requiring fair value accounting would confuse our investors and customers into believing that these loans are for sale.

In addition to our belief that fair value accounting would confuse our customers and investors, there is no active market for our loans, which makes any valuation an estimate, and as a result, does not provide better information for the investor and can lead to a lack of comparability

between institutions. As a result, our investors have not expressed a desire in receiving additional information related to fair value, as the information provided in our footnotes as required by existing accounting standards is sufficient.

At a time when there is a crisis of confidence in the financial services industry with over 800 banks on the troubled bank list, injecting more volatility into the financial statements and capital of banks, which is contrary to the business model of the bank, is not a prudent measure. Marking all of our loans to market would cause fluctuations in our capital levels, which are not necessary or relevant as our intent is to hold the loans to maturity and collect the contractual cash flows. Instead of providing transparency and clarity to our financial statements, fair value accounting of our loans will provide confusion to investors and customers about our bank's health and ability to pay dividends at a time when confidence in the banking industry is needed to help spur the economic recovery. Additionally, fair value accounting would result in unnecessary costs and capital in the form of expense to pay consultants and auditors. Given that investors are not asking for fair value accounting, this additional cost is not an appropriate use of investor capital; instead, this investor capital could be better used to make loans in our local communities.

As we do not support the Board's approach to measuring loans at fair value, we also do not support the Board's proposed remeasurement approach for core deposits. As these deposits are demand deposits and can be withdrawn at any point in time by the customer, we do not believe there is a need to remeasure core deposits.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped and instead, the FASB adopt the IASB's approach to the classification and measurement of financial assets.

Sincerely,

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Chief Financial Officer  
Univest National Bank and Trust Co.