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

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

Dear Members of the Financial Accounting Standards Board,

I am writing to voice my dissent in marking to market bank balance sheets. In my 30 years in banking, the issue of mark to market has surfaced several times. Each time, the Board has chosen to not mark bank balance sheets to market for a number of valid reasons.

Today still, my bank, like most community banks around the nation, makes loans to local citizens and businesses and keeps them on our own books. There is no uniform industry standard for most community loans and as such, they are really not marketable outside of our community. As problems develop in a credit, we work out the problems ourselves. We do not sell them at a discount as that would send a poor signal to our community and customer base. So, a rule to discount our credits to the value of what an outsider (with no knowledge of our market or customers) would pay, would increase our accounting and human resource costs, negatively impact our balance sheet, and provide little clarity to investors and no benefit to the bank.

Many citizens in our county rely on our bank to make their mortgage loans even though they do not qualify for the secondary market either because of the size of loan, type of property, or unique attributes of rural home ownership compared to secondary market standards. If the mark to market proposal were to be implemented, our business incentive to provide in-house home mortgage credits will become impaired. Inability to access credit will drive down real estate values, further increase blight within many rural communities, and negatively impact the local and national economy for years. Existing mortgages supported by a solid underwriting and appraisals would soon fall into jeopardy as home values could drop faster than the balances of their loans. This event will decrease property values and adversely impact budgets of local taxing authorities.

For my bank, identifying a market value of all loans would require developing a market value matrix combining the unknowable market value of a mortgage or loan that cannot be sold in a secondary market with pricing structures specific to our market. This implementation will prove costly, arbitrary, and frankly, futile as there would be no sure defense that the market value assigned is in fact accurate.

As you can see, the arguments against this proposal are many and I am in agreement with all of those against this rule. I would request FASB focus on what is right for America and less on what the remainder of the world is doing. Please withdraw this proposal from further consideration.

Sincerely yours,

Tom O'Neil

President & CEO

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