From: ebeguin@libertadbank.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 12:54:00 PM

John Beguin
512 E Riverside Drive
Austin, TX 78704-1357

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 a former licensed CPA and member of the AICPA, and as President and CEO of Libertad Bank, a community oriented Texas State Savings Bank located in Austin, Texas with approximately $40 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 loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our loans, we hold them in portfolio to maturity. Basing our balance sheet on fair values would lead readers of our financial statements to assume that we will sell the loans, which is not the accurate.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan. Additionally, there is no market for most of our loans, and estimating a market value makes no sense and would be almost completely arbitrary.

Marking all loans to market (if even possible) would cause our bank's capital to fluctuate wildly with every fluctuation of the market - making it abppear better in times of a liquid loan market and worse in times of a frozen or illiquid market - both of which would increase volatility in the direction of the makret vs. the fundamentals of our loans held in portfolio.

All the proposal would do would be to increase costs while providing no worthwhile additional information to investors or regulators.

For the reasons stated above, we respectfully requests that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. That said, I have reservations about how such changes can be implemented.

I recommend that any final model be tested by small community banks like mine alongside the current methodology to ensure that any new methodology is solid and workable.

It is importnatn to address the disconnect between GAAP and what Regulators demand today, as often a bank is "caught in the middle" between what is required by GAAP FASB 5/114 methodology and the 'arbitrary' provision/ALLL a bank's regulators may require post-examination.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

III. COMMENTS ON HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). However, it is very important that the term "reasonably effective" be better defined.

Additionally, the "shortcut" and the "critical terms match" methods should be maintained. This greatly helps small community banks like mine to reduce the cost of compliance with the hedge accounting rules.

Thank you for your time and consideration.

Sincerely,

512-693-3600
CEO and President
Libertad Bank SSB