

From: boneno@lba.org
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 30, 2010 10:33:17 AM

David Boneno
10620 Cypress Vine Ave.
Baton Rouge, LA 70809-4072

September 30, 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 General Counsel to the Louisiana Bankers Association, I am writing to express my opinions on the Fair Value provisions of the exposure draft. 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.

Most of the banks in Louisiana do not sell their commercial loans, nor do they sell their other loans that are originated and held in their own loan portfolios. Further, it is my understanding that most banks in Louisiana are mindful of interest rate risk and typically make loans to be held in their own portfolio with a term of less than ten years. Often times the loans held in a bank's portfolio have a term of seven years, five years or even a shorter term. Thus, most of the loans held by Louisiana banks have a relatively short term when compared to a traditional thirty year mortgage.

Basing a bank's balance sheet on fair values leads readers of a bank's financial statements to assume that it will sell the loans, which is not the case. If there are issues with a borrower's ability to repay a loan, the bank will work through the collection process with the borrower rather than sell the loan. There is no active market for many of the loans, and estimating a market value makes no real sense. Even if a bank could easily obtain a market price, since the loan is just one part of the financial relationship that a bank has with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Marking all loans to market would cause a bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about a bank's health or its ability to pay dividends, the proposal would mask it.

The costs and resources that a bank will need in order to comply with this new requirement would be significant. This will require banks to pay consultants and auditors to estimate market value, which will in turn raise the cost of doing business for banks.

I am not aware of investors expressing an interest in receiving this information. I believe investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

For the reasons stated herein as a representative of banks in Louisiana and personally as an investor, I respectfully request that the fair value section of the exposure draft be tabled.

Sincerely,

225-214-4836
General Counsel
Louisiana Bankers Association