

From: [Combs, Dan 01](#)
To: [Director - FASB](#)
Subject: Mark to Market Accounting-Please consider how this will effect community banks
Date: Friday, September 24, 2010 8:45:43 AM

As a community banker I am deeply concerned on how the mark to market accounting will effect our bank. Day in and day out we make adjustable rate loans for everything from someone's first car to commercial buildings. We have a very sound underwriting model that has proven very effective over the 50 year life of our bank. Since we underwrite our loans we know our loans are worth while putting on the books at par and given the adjustable rate nature of our loans we know we have limited interest rate risk. Unfortunately if we are forced to mark these loans to market we are going to have to have someone value these loans from outside who does not understand how we underwrite and will not be willing to value these loans at par even if the interest rate on the loan is in line with the market. Also how do we analyze these loans in a crisis such as a few years ago when there was no market even for sound loans??? Even high quality private label MBS still has not come back to par from the financial crisis even though there is very limited credit risk at this point. It is unfair to force a community bank to try and value these loan portfolios. Not only is it unfair it is potentially destructive to our banking system. As I mentioned before if we had to value our portfolio in the height of the crisis we might have gotten 60 to 70 cents on the dollar for it even though our loans have performed extremely well even with the poor the economy. If we had to write our loans down to that level we would have been bankrupt as would almost every community bank in the country. We are fortunate that we did not have to write those loans down. Our bank has become stronger since the crisis and has been able to grow. With your new rules that would not have been possible. We understand the need for mark to market accounting in businesses where values are readily available, but expecting that in an industry where loans are not liquid is simply unfair.

Thanks for your time.

Dan Combs

Vice President/Investment Officer
First State Community Bank
201 E. Columbia
Farmington, MO 63640
Phone: 573-756-4547
Fax: 573-756-8311
dcombs@fscb.com