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September 20, 2010

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

Re: File Reference 1810-100 – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

I appreciate the opportunity to comment on important issues represented in the above referenced <u>File Reference 1810-100</u>, more specifically fair value accounting and loan impairment.

Marking all loans to market would cause banks' capital to be affected by fluctuations in the markets, even with the loan portfolio performing well. Instead of providing better information about our bank's health and ability to issue stockholder distributions, the proposal would mask it. We would still have to explain it to our stockholders, customers and depositors even if the banking regulator's Tier 1 capital excludes fair value fluctuations.

Additionally, the resources that we will need to comply with this new requirement would be significant. It would require the use of consultants and auditors to estimate market value, resulting in increased expenses. Our stockholders have expressed no interest in receiving this information, and we believe they would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

With reference to loan impairment, I have concerns about changing from incurred loss to expected loss. This would make the accounting more confusing and subjects otherwise firm data to the volatility that comes from the provisioning process. I believe interest income should continue to be calculated based on contractural terms and not on an afterimpairment basis.

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The consequences and long-term effect of these proposals certainly need to be addressed to determine if the change in methodology is warranted or even needed.

Thank you for your time and consideration of my comments.

Sincerely,

H. L. Baker, Jr,

President and Chairman of the Board

HLB:njf