

From: [Bill Wilson](#)
To: [Director - FASB](#)
Subject: Mark to Market assets and Liabilities of Community Banks
Date: Wednesday, September 29, 2010 6:18:09 PM

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Gentlemen:

Please reconsider the marking to market of assets and liabilities of community banks. This procedure would cost excessive dollars and the benefits are nil.

Who can say what a small loan of say \$100,000 secured by various pieces of equipment or accounts receivable or real estate is worth? How do you determine if the interest rate is the market rate? Perhaps the client has poor credit, or perhaps he has spectacular credit, both of which influence the interest rate being charged. And the interest rate charged is a factor to be considered in marking the loan to market. Rates also vary according to the location of the bank.

Perhaps the customer has a large checking account and credit is given to him in setting the rate on the loan. How will whoever is determining the value of the asset know that?

There are many factors in determining the rate on a loan. You cannot lump all loans into one bundle and say the value of all loans earning 4% or 5% or 6% etc. is such and such. Each loan would have to be analyzed individually in order to determine what the value of that loan would be if marked to market.

A community bank does not usually offer their loans for sale. What benefit would it be to the bank and to the public or to the shareholders to know what the market value of the portfolio is? I see none. If the bank is not selling the loans, is not liquidating the loans, and management is not offering the entire bank for sale, why go to the expense and bother to mark the assets to market value? The loans are held in most community banks to maturity and the customer will repay only the face amount of the note plus interest. If loans are priced by some outside consultant or CPA firm who think they are capable of pricing the loans to market value and the loans are priced above face value the readers of the financial statement are being misled. Don't you think this is wrong?

The bond portfolio is priced monthly. The difference in the book price and market price is shown as an asset and taken directly to the capital section of the balance sheet. Thus a great percentage of our bank is shown at market value, although we do not handle the gain or loss in the portfolio in unsold securities through the profit and loss statement.

As to liabilities, if certificate of deposits are valued by the rate being paid and term, you may create income or expense by your analysis of marking to market, but in reality all the customer will receive at the maturity is the face amount of the certificate of deposit. The same logic is applied to saving accounts and now accounts. Marking the CD to market is misleading the public or shareholder who reads the financial statement as to the value of the bank.

I am speaking from the standpoint of a banker who has had 55 years in banking,

still remains on the board as Chairman of the Board, Chairman of the Executive Committee, Chairman of the Loan Committee and on the ALCO Committee. I retired from daily operations some 12 1/2 years ago but keep current on the affairs of the bank. In addition I am a Certified Public Accountant, now retired.

Our bank is The National Bank of Texas at Fort Worth and our assets are in the \$135 Million range. We have three locations at this time and are in the process of opening a fourth location.

Please listen to the community banker! Our expenses have increased, the net interest margin is thin and is getting more so each month. The FDIC insurance has escalated along with salaries, property taxes and utilities. The regulatory burden is horrendous and is increasing. Adding this burden to the community banker is unnecessary as we small community bankers can see no advantage to this for us. Sincerely,

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