

From: [Curtis Griffith](#)
To: [Director - FASB](#)
Cc: [Curtis Griffith](#)
Subject: File No. 1810-100 comment
Date: Wednesday, September 29, 2010 7:12:18 PM
Attachments: [image9c679f.jpg@ec40be8a.7ed04f7e](#)
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To the Members of the Financial Accounting Standards Board:

I am the Chairman of the Board for City Bank, a Texas-based community bank with approximately \$2 billion in assets. We provide banking services in seventeen cities across Texas. We have grown to this size from one small West Texas bank in 1962, by providing dependable lending and deposit services to all of our customers. I am writing this to share our strong opposition to the proposed "fair value" accounting treatment for all financial instruments. I understand the logic behind reporting assets at market value or fair value when there is a reliable mechanism for determining such value in a timely manner. However, most commercial bank loans have so many unique aspects that establishing their "fair value" will be extremely subjective and will do nothing to improve the quality of information available to investors or regulators.

Most of the value of a community bank comes from its core customer base, both depositors and borrowers. If our borrowers believed that we would sell their loans to some other institution or investors and leave them to deal with someone they do not know, they would quickly move their business to another bank. The great bulk of our loans are made to long-time customers, primarily local businesses and farmers. We do not ever consider a "market value" of those loans because a) we do not make them with any intent to sell them and b) there is no real market for them anyway. If this proposal is implemented, I wonder how we will determine the "fair value" of a farm operating line for \$500,000, made on January 15th, due on April 1st of the following year, with 60% of the loan advanced by June 30th, to a borrower with a 700 credit score and a 3 to 1 debt-to-equity ratio who has never failed to pay back in 15 years but who had a severe hail storm on his farm on June 25th. I have been making this kind of loan for nearly forty years and I could not swear to the accuracy of a June call report if I have to "value" those loans at something other than their face amount.

If a loan becomes non-performing and our repayment will be dependent upon the sale of underlying collateral, we do our best to reflect the value of that collateral in the net loan amount shown on our books. However, if we have financed a new building at a 10-year fixed rate and maturity for a successful local business that also has good, annually-renewed (and priced) operating loans, and the owner is paying all obligations and showing good profits, it makes no sense to me to change our value of the building loan as rates move up or down or if there is a possible change in the value of the building. The business owner did not buy the building planning to sell it nor did we make him the loan intending to sell it either.

As I understand the proposal, it also is inconsistent with the standards used by the international financial community. I thought that one of the goals of recent reforms was to bring consistency to reporting standards worldwide, so I do not understand how forcing this change on U.S. banks

would improve the situation.

As a community banker, I see no benefit to our stockholders (we are actually a Subchapter S firm), our customers, our auditors (other than more billable hours) or our regulators from this proposal. I do see a significant increase in costs, personnel and uncertainty in call reports and audits and I strongly urge you to ask for this proposal to be withdrawn.

Sincerely,

Curtis Griffith

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