

Satisfying Needs . . .

Building Relationships

September 21, 2010

Technical Director Financial Accounting Standard's Board P. O. Box 5116 Norwalk, CT 06856-5116

File Reference: No. 1810-100 Accounting or Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Members of the Financial Accounting Standards Board:

I am writing to express my opposition to FASB's proposed changes to the way banks mark their financial instruments. Our industry has consistently opposed a fair value accounting model for the core banking activities used in our industry. The economic impact to our industry would be devastating.

The changes proposed in No. 1810-100 expand current mark-to-market accounting by requiring banks to record all financial assets and liabilities at fair value on their balance sheets. Commercial banks hold financial instruments like loans for long-term investment purposes, not for trading purposes. Community banks, like Brady National Bank, keep the loans we make on our balance sheet and hold them for the life of the loans. Forcing these banks to begin accounting for long-term investments at fair value will result in a significant change to their capital because these assets most often have no active markets. It would put a huge constraint on capital and on the lending equation, leading to decreased lending at exactly the time the country needs to have lenders willing to make loans to small businesses.

Significant costs will be incurred in order to provide these fair value estimates at what appears to be of no benefit to the customer, the shareholder, or the bank. Customers and shareholders will see significant drops in their bank's capital because of the move from amortized accounting for long-term investments and because of the higher costs associated with providing these fair value estimates.

We understand the standards proposed are inconsistent with the standards utilized by the international financial reporting standards. It is our understanding the industry is undertaking a move to bring into alignment accounting practices worldwide and eliminate pro-cyclical problems. In our opinion, this accounting rule would exacerbate the problem of pro-cyclicality and cause further unwarranted stress for our industry.

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We believe the proposal is impractical and would result in undermining the already difficult economic recovery. In our opinion, this proposal should be withdrawn.

Sincerely,

Joe Kirn King

Chief Executive Officer

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cc: Texas Bankers Association

Independent Bankers Association of Texas