

September 16, 2010

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

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

Dear Members of the Financial Accounting Standards Board:

The purpose of this communication is to express my serious concern with and opposition to FASB's proposed changes to the way banks mark their financial instruments; namely, the expansion of fair value accounting to all financial instruments.

While this letter will not address all of my concerns regarding this proposal, I believe it is critical to specifically address some of the more egregious parts of the proposal. As an industry, we have consistently opposed a fair value accounting model for the core banking activities used in community banks throughout our country.

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 fails to take into consideration the fact that commercial banks hold financial instruments like loans for long-term investment purposes—not for trading purposes. As a community bank, we make loans to meet our clients needs and keep the loans we make on our balance sheet for the life of the loans.

Forcing community 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 will also put a tremendous amount of pressure 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—which are the "engine" of our economy.

It is my understanding that the accounting industry is undertaking this proposal to bring into alignment accounting practices worldwide and eliminate pro-cyclical problems. Based on the proposal, it does not appear that this proposal is consistent with International Reporting Standards. In my opinion, this accounting rule would exacerbate the problem of pro-cyclicality and cause further unwarranted stress for our industry.

Our national trade association, the American Bankers Association (ABA) as well as our state trade association, the Texas Bankers Association, (TBA) have both filed lengthy and very comprehensive response to the proposal being offered. I have read the positions expressed by the ABA and the TBA and I am fully supportive of their positions.

Thank you for the opportunity to share my concerns. I request that that FASB withdraw this proposal.

Respectfully,

A. Dean Castillo

President

CC: J. Eric T. Sandberg, Jr President and CEO Texas Bankers Association 203 W. 10<sup>th</sup> St. Austin, TX 78701