From:	jpayne@fsbcarthage.com
To:	Director - FASB
Subject:	File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date:	Friday, September 24, 2010 11:38:09 AM

Jim Payne
P.O. Box 579
Carthage, TX 75633-0579

September 24, 2010

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

Dear Mr. Golden:

First State Bank & Trust Company welcomes the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." We are located in Carthage, Texas and have $400,000,000 in total assets. We have been a vital part of our community for 108 years and have an excellent history of providing banking services that benefits our customers, community and investors. We strive to assure our bank is in conformity with regulatory issues and that our financial statements are fairly presented. Stockholders rely on the financial statements to guide their investment decisions.

As CEO, I am writing to express my opposition to the proposal that requires all financial instruments, including loans to be marked to market on the balance sheet. The proposal would create confusion for the investor, lead to critical questions about capital and increase the regulatory burden. I understand FASB is attempting to improve the accuracy and usefulness of financial reporting but mark to market will cloud transparency. We strongly believe that mark to market would be disastrous for the following reasons:

• First State Bank and Trust does not sell its loans but holds them until maturity or prepayment. Adjusting our loans to fair value would mislead the readers of our financial statements into believing that we are selling loans. We believe that recording loans on an amortized cost basis rather than at fair value provides for an accurate financial statement presentation and does not confuse the investor regarding the management of loans.

• Because we live in a rural area, there is not an active market for many of our loans. We would likely be forced to estimate market value or incur substantial costs to hire a consultant to help determine values. Since each bank will have to develop its own valuation method the valuations will likely be different. Different valuations will hinder the comparability of balance sheets between banks.

• Fair market valuation will require us to record gains and losses that will likely never be realized or recognized. The bank's capital will fluctuate with the market even though loans are performing and will not be sold. Capital is a critical measure for investors as well as regulators and a decrease in market values can give the impression that the bank's financial position has weakened. Less capital could impact investor decisions as well as lending decisions. Instead of providing a clearer picture of a bank's health, mark to market would mask it.

- We are very concerned that the costs and resources needed to comply with this new requirement will be significant. Because we do not have active markets for a large percentage of our loans and do not use fair values in managing our cash flows we will be forced to hire additional staff and/or consultants to implement and administer mark to market reporting. Our investors, who have never requested fair value reporting, will end up paying bank earnings to generate estimates for which they will have no use.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

I appreciate the opportunity to comment on this proposal.

Sincerely,

903-693-6606
CEO
First State Bank & Trust Company