From: <u>russell.phillips@swst.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

**Date:** Tuesday, September 28, 2010 12:33:16 PM

Russell Phillips 1791 N. Hwy 77 Waxahachie, TX 75165-7868

September 28, 2010

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

Dear Mr. Golden:

I am writing today to voice my opposition on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I have been a bank employee and investor for a number of years and feel that the proposal to require all financial instruments, including loans, to be reported at fair value or market value on the balance sheet would cloud transparency and create chaos with bank capital and earnings.

As you know most community and regional banks around the country do not sell their commercial loans. We simply work through problems with our clients for the benefit of all involved.

There is no active market for these assets and estimating a market value makes no sense. Even if there were a market the loan is just one part or the relationship with our clients and there is no real incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors which will be an impossible task.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

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

Thank you for considering my comments.

Sincerely,

469-941-1403 Vice President Southwest Securities, FSB