



From: Aberdeen, Jeff
Sent: Wednesday, October 01, 2008 8:55 AM
To: 'rggolden@fasb.org'
Cc: 'dfisher@ABA.com'

LETTER OF COMMENT NO. 1

Subject: Comment of the SEC Release yesterday on Fair value Mr. Russell Golden, Financial Accounting Standards Board Dear Mr. Golden I understand you will be meeting today on fair value accounting issues and wanted to provide you with some thought we had at Commerce Bank regarding the guidance the SEC issued last night.

We believe the SEC release does a good job of answering the question about a good level 3 is better than a bad level 2 FV, and this may help valuations on various types of mortgage backed securities for many banks. Frankly we have not had this issue in valuing some of our AAA mortgage back securities, as our pricing services we use were always considered adequate and we did not get into disputes as to whether it was a level 2 or 3 source. For other more troubled types of investments, this may be more of an issue.

One thing we didn't see very directly addressed was comments on the use of exit prices. Most of our troubles with fair values, especially in areas where we have to employ lower of cost or market concepts is in the use of exit prices We have had to fair value both held for sale US guaranteed student loans and also AAA rated and highly collateralized auction rate securities we purchased at par from customers. We have had to resort to level 3 FV models and we were required under current FAS 157 rules to consider fair value inputs for interest rate, credit risk and liquidity risk (exit price). It's the exit price that we had to put in our model that is hurting us mostly. The exit price is virtually impossible to come up with, at least for the common person, and the results are accepted by the auditors, trying to apply FAS 157, only if the results are in a range of what they have seen elsewhere. We find no expertise available to determine what an exit price really is in these dysfunctional markets. In normal markets past fair value models would have considered FV inputs for rates and credit as liquidity would not have been an issue. FASB should consider suspending the exit price concept within FAS 157 and allow FV models to consider only interest rate and credit factors, as it the case in normal markets, and as was the case we believe prior to FAS 157. Under current conditions any factor for exit price is unreliable and damaging. We believe eliminating this factor would have a dramatic effect for many companies who are hit hard by the current credit crisis.

While the SEC guidance issued yesterday is helpful, unless the exit price issue is addressed, any helpful impact to the current crisis will not be felt.

Sincerely,
Jeffery Aberdeen, Controller
Commerce Bancshares, Inc.
Kansas City, MO