

June 27, 2010

Archie G. Allen, Jr.
Investment Advisor
P. O. Box 394 or 220
Pfafftown, NC 27040

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

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

Dear Mr. Golden:

Your request for comment on the proposed accounting changes outlined in your exposure draft is appreciated.

My concern is that marking to market loans proposed to be held to maturity made by financial institutions would cause grave financial problems. This was experienced by the financial markets starting in 2007 when FASB changed rules forcing auditors and banking/financial firms to use observable market prices to value many securities that year, 2008 and in early 2009. The economy, stock market and mortgage market declined precipitously, liquidity froze, unemployment rose. Had it not been for the government injecting funds into the financial system with TARP there would have been another great depression. Many were harmed by this accounting change catalyst. Admittedly, the mortgage market and sale of derivatives and mortgage backed securities had gotten out of hand, a situation that would have been prevented by sound banking. The new Federal regulations will help enforce sound practices.

As an investment advisor, I think the current system of accounting for financial instruments which are considered held to maturity should be accounted for at cost plus accrual of income or discount or premium as the case may be over the term of the instrument. If and when an instrument becomes past due then collection and write down consideration becomes appropriate.

I look at banks, other financial firms and insurance companies from standpoint of return on assets, equity, potential earnings growth, stability of earnings, debt equity ratios, reserves for charge off potential and history, dividend potential, geographical foot print, and make an assessment of management like other investment people. There is no reason for marking to market performing assets that are recorded to be held to maturity. With mark to market for all assets we would see higher volatility of earnings, equity and share prices. Longer term lending would be curtailed to protect equity levels. If all assets were marked to market, such as bank commercial term loans or 30 year mortgages held by portfolio lenders, for which there may be no reasonable market, then I fear lending institutions would probably not make loans for longer than one year. This would become a disincentive to businesses needing credit to invest in new ventures and employees and harm the housing market. Our country would become inert and our competitiveness worldwide would be harmed. People dreaming of financing a small business or aspiring to home ownership would be discouraged.

Mr. Golden, if you would please do your best to convince your professional associates to maintain the current system of amortized accounting for issues created or purchased to be held to maturity you would contribute to our country's financial stability and prosperity.

Yours truly,

Archie G. Allen, Jr.
Investment Advisor