September 14, 2010

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

File Reference: No. 1810-100

Dear Mr. Golden:

I am a bank investor and I would like to take this opportunity to comment on the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*. As an investor, the overall strength and financial condition is very important to me. Being able to make good investment decisions based on clear and transparent financial reporting information is key. I am writing to express my objection to FASB using mark to market in order on financial institutions. I believe this would have the exact opposite result than what is intended. Instead of becoming more transparent, it would actually cloud the situation. Furthermore, it would put into question the most critical element for a bank: capital.

This proposal, No. 1810-100, requires banks to record all assets at their market value. In my ten years as an investor, market values on loans are never discussed. We often discuss the performance of the loan, but not the value. The bank I invest in, as well as most banks in the US, do not buy and sell loans. Therefore, market value is not relevant. Also, with the vast complexity that loans have from terms, to collateral, and guarantee structures, most banks do not even have a market in which to sell their loans. If there is not a real market to sell these loans into, how can you accurately determine a fair value for the financial statements. Furthermore, fair market does not translate into the actual cash that the bank will receive.

Bank management has explained to our investors that a loan's intrinsic value may change for different reasons, interest rate changes or problems with the borrower. If there are problems, the loans are worked out with the borrower, not sold. Again, this makes the market value irrelevant as the loan is never sold, it is simple a problem loan that needs to be worked out. This proposal would cause swings in the financial position of a bank that will not actual ever occur and that is just wrong.

I am also concerned that No. 1810-100 would change how banks conduct business. Changing to mark to market could force banks to change how they do business and how they structure their loans which could hurt the overall performance of the bank and the profitability of the business it supports. Thereby hurting our overall economy. This structure will increase the volatility of its financial statements. I often try and limit the volatility in my holdings and that could lead to a change in my holdings of bank stock or push banks to reduce their volatility in their assets. This cold result in banks moving to more investments and less traditional banking and/or limiting the products they provide. I do not believe this is what FASB was intending to do, however it is exactly what could occur.

Finally, there is a cost component to this proposal. If there is not a liquid market to value their loans, banks will have to have something or someone to derive a value and that will cost time and money to complete. In the end, investors will have to pay auditors and consultants a bunch of money to provide information that investors will not need or use in making their investment decisions.

For all the reasons listed above, I would recommend you do not mark loans to market because as an investor it does not help improve financial reporting and therefore my investment decisions. Thank you for allowing me the opportunity to comment on this issue and express my views. Please feel free to contact me if you would like to discuss further.

Sincerely,

Michael R. Henson