



LouisianaBankers

A S S O C I A T I O N

September 17, 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, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

Dear Mr. Golden:

The Louisiana Bankers Association (LBA) appreciates the opportunity to comment on the above referenced exposure draft that would apply fair value accounting (“mark-to-market”) to most financial instruments, including loans, on a bank’s balance sheet. The LBA is Louisiana’s sole banking association, which serves 165 member banks, thrifts, and trust companies. With this letter, we formally convey our strong opposition to the exposure draft and respectfully request that it be withdrawn for reasons described below.

The general business model of most Louisiana banks and thrifts is to generate earnings from taking deposits and making and holding loans to maturity. Since these banks and thrifts have no intention of selling these loans, and since these loans have no active markets, it is not appropriate or useful to apply short-term market valuations to these illiquid loan portfolios. Requiring mark-to-market will create significant new costs for banks and thrifts as they will be required to pay consultants and auditors to estimate market values.

We believe mark-to-market would provide no benefit to the average investor. More likely, the information produced will serve to confuse or create panic among current and prospective investors. For example, banks and thrifts with excellent cash flow earnings from their loan portfolios could be required to report large losses based on mark-to-market. Such reported losses would mask the fact that the loan portfolio is performing and generating revenue. In other words, the financial statements will not be indicative of the bank’s overall health, ability to pay dividends, or management.

Our understanding is that this exposure draft proposal is based on the premise that investors want mark-to-market accounting. We strongly disagree. LBA has not received any positive feedback on this proposal from Louisiana bank investors. In general, LBA believes that bank investors do not view this

proposal as either reasonable or worthwhile, especially since costs for compliance with this potential requirement will be paid out of bank earnings.

The recent economic crisis showed us yet again the importance of investor confidence for a healthy economy, and any bank asset volatility based on misleading accounting treatment will be perceived by the average investor as increased risk, thereby lowering investor confidence.

Based on the above, LBA, on behalf of our entire membership, respectfully requests that FASB withdraw the current exposure draft proposal. Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Joe Gendron". The signature is written in a cursive style with a large, sweeping initial "J".

Joe Gendron
Director of Government Relations
Louisiana Bankers Association