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September 29, 2010

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

Attn: Comments - **Sent Via Electronic Delivery**

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

Dear Mr. Golden:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to offer comment on the above-referenced exposure draft. While there are elements of the exposure draft that we support, the exposure draft as presented raises issues that are objectionable to Oregon bankers and require greater scrutiny and reconsideration.

FAIR VALUE ACCOUNTING

The OBA opposes the exposure draft's requirement that all financial instruments, including loans, be reported at fair value, or market value, on a bank's balance sheet. The accounting of financial instruments should be based on the bank's business model and should reflect how a bank manages its assets and liabilities. Banks manage customer relationships and their credit; they generally do not sell their commercial loans. Full fair value accounting is not relevant to the commercial banking business model.

Marking loans to market, especially in an abnormal market, creates volatility in a bank's capital position. Instead of creating certainty and clarity, it clouds a bank's financial position with market volatility. Rather than providing better information to third parties about a bank's health and the value of its assets, the proposal as it stands could actually result in confusion for investors. Put plainly, the exposure draft does not enhance the transparency and comparability of financial statements. The assumptions utilized between different institutions to determine the fair value of certain financial instruments will vary, even when pricing is the same for similar items.

It is important to note that many Oregon banks today report no active markets for many of their loans. Our banks further report that even if they could obtain a market price for their loans, they do not have an incentive to sell because the loan is only one component of their relationship with the customer.

If the proposed accounting standards are adopted, banks across the country may discontinue making some longer-term loans because of the impact of changes in fair values that banks will need to record. This will serve only to complicate an already challenging lending environment.

Many of our member banks have expressed concerns about the pro-cyclicality of mark-to-market accounting. Economic downturns can create illiquidity or inactivity. This, in turn, can drive the fair value of an asset downward. These reductions in fair value would negatively impact an institution's capital even though the underlying economic value of the asset has not changed. This could result in a bank restricting its loan growth and being perceived as less willing to lend. Alternatively, in good economic times, the valuation of assets and institutional capital levels may be overstated and thus result in banks exposing themselves to riskier activities.

Finally, the costs and resources that would be required to comply with fair value accounting would not be negligible to banks. In addition to greater personnel and software costs, many banks would be required to retain additional auditors and consultants to estimate and discern market value. These additional costs would negatively impact credit availability at a point in time when access to credit is of central concern to lawmakers.

The Oregon Bankers Association strongly objects to FASB's proposal related to fair value accounting and request that it be removed from consideration.

LOAN IMPAIRMENT

Oregon bankers also have concerns about FASB's efforts to revise the methodology regarding estimating loan loss provisions. Consistent with our banking partners across the nation, we support a model that does the following: recognizes the judgment required in the estimation process; considers future expectations of conditions that do not exist at the measurement date, but are reasonably expected to occur; separates the process of interest income recognition from the process of credit impairment; maintains symmetry in a way that increases and decreases in loss estimates are recorded; values current metrics and analysis by retaining the principles and methods to record incurred losses; and is operational for community banks. These considerations should be in the forefront of FASB's decision making concerning this issue.

Thank you for the opportunity to comment on FASB's proposal related to accounting for financial instruments. If you have any questions, please feel free to contact me.

Very best regards,



Linda W. Navarro
President & CEO
Oregon Bankers Association & Independent Community Banks of Oregon