

From: wmccarty@belmontbanktrust.com
To: [Director - FASB](#)
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
Date: Monday, September 20, 2010 9:52:52 AM

William McCarty
8250 West Belmont Avenue
Chicago, IL 60634-2809

September 20, 2010

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

Dear Mr. Golden:

As a community banker and a bank investor, I oppose the portion of the above referenced proposal that requires all financial instruments to be marked to market. From a bank investor's perspective, this will not bring clarity to the bank's balance sheet and may ultimately jeopardize bank capital.

The proposal states that banks are to record loans on the balance sheet at their market value. In my many years of bank involvement, bank management focuses on loan performance, not market values. This is what investors ask for. If loans are not being sold, I believe mark to market becomes less relevant. Given the uniqueness of commercial bank loans, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive.

It is understood that a loan's intrinsic value may fluctuate due to interest changes and borrower issues, but when it is a repayment problem, we tend to work loans out rather than sell them. Since we don't sell loans this becomes an extremely mute point, even if there were available markets to do so. Subsequently, this proposal will affect bank capital by market swings that will not actually be realized by our bank.

I disagree with the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation as this will not provide accurate information. I also oppose requiring institutions to record demand deposits at fair value.

In addition, I am very concerned about the exorbitant costs and resources that will arise from this proposal. The costs to retain consultants and auditors to be in compliance is extremely expensive for a community bank like mine and will ultimately create a negative impact for the individual investor.

I urge you to consider dropping your proposal to mark loans to market, as I do not see it improving financial reporting.

Thank you for considering my views. Please feel free to contact me if you

have any questions or would like to discuss

Sincerely,

William McCarty
773-413-1940