

From: derickson@friendlyhillsbank.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Monday, September 27, 2010 5:48:15 PM

Daniel Erickson
16011 E. Whittier Blvd.
Whittier, CA 90603-2526

September 27, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I am Chief Financial Officer of Friendly Hills Bank, a commercial bank located in Whittier, CA with total assets of approximately \$100 million. I am writing to express my opinions on the fair value provisions of the exposure draft.

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

We are a relatively small bank with loans primarily to small to medium sized businesses and professionals. At the present time, there is no active market for most of our loans. Our clients are not rated by one of the rating agencies which means the underlying financial statements of each of our borrows would have to be reviewed by third party consultants to determine the fair value of each loan. Obviously, this process would be very time consuming and cost prohibitive.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, deposit accounts, cash management services, etc.), the value of the entire relationship would have to be evaluated. For example, if we have two borrowing customers with the same credit history and one maintains \$1 million in average balances in their checking account and the other maintains \$50,000, the fair value of these two relationship is entirely different and would require separate evaluation to determine the fair value of the accounts.

Marking all loans to market would cause our bank's capital to fluctuation even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to maintain adequate levels of capital, the proposal would mask it.

For the above reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be eliminated or made applicable to the largest banks who primarily lend to large, rated companies.

Sincerely,

562-947-1920
Chief Financial Officer
Friendly Hills Bank