From: Jack Hellner
To: Director - FASB; service@aicpa.org; illinoiscpasociety@icpas.org
Subject: FASB rule on banks marking loans to market.
Date: Thursday, May 27, 2010 2:25:13 PM

Dear Sir or Madame:

I am a CPA for a family that controls six Sub Chapter S Banks in Illinois for sixteen years. The Banks have a combined total of around $900 million in assets. I have been a CPA for thirty two years and I am more troubled each year by the overactive FASB. The proposal to have banks mark their loans to market is idiotic at best and could absolutely destroy healthy banks of all sizes.

Take an example where a bank would make a $10 Million ten year loan at the current market of 5.5%. Assume that in two years the interest rate on a comparable loan is 7%. Therefore, the market value of that loan would be down around $1.2 million requiring a hit to capital. Assume that the loan is performing so why would a bank ever have to reduce their capital at all. In a Sub Chapter S bank the bank may not have a distribution to make to their shareholders to pay their taxes and may have to inject additional capital which becomes even more expensive and harder to attain. Why would FASB set a rule which could so easily destroy so many in the private sector?

Obviously. a bank should maintain an adequate reserve against problem loans and potentially problem loans but why would they essentially require a reserve for performing adequately collateralized loans. The actual cost method along with the reserve has worked well since inception so what is the actual purpose of this rule. Banks are not for sale every quarter or every year so the adjustments are absolutely unnecessary. No business should have to write their assets and liabilities to market on a constant basis because that is not how business works. Think of all the additional costs associated with the compliance. You would think that the FASB would have partially learned their lesson when the market for many securities dried up and when so many banks, insurance companies, investment banks had to fictitiously write down their investments to distressed levels. Why is FASB so intent on compounding the problem.

In the past FASB has required the creation of fictitious/theoretical assets such as mortgage servicing rights and the capitalization of costs associated with creating loans and now it is creating fictitious losses. None of these rules make sense.

Is FASB also going to require Fannie, Freddie, FHA, FFCB, FHLB, federal student loans etc. to mark their loans to market or is it just the private sector the target? FHA has .53% capital. The government entities are a much greater threat to our economic stability than banks marking their loans to market.

I would hope that FASB will reconsider before they actually destroy companies, individuals and jobs. I am a member of both the AICPA and Illinois CPA Society and I would hope that they will lobby hard to block the rule.

I would appreciate a response back on this matter.

Sincerely,

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