



October 9, 2008

VIA EMAIL: director@fasb.org
Mr. Russell G. Golden
FASB Technical Director



LETTER OF COMMENT NO. 54 Q

Dear Mr. Golden,

I would like to provide a comment regarding FASB Statement No. 157 on fair value accounting and to state the impact that this is having on our community bank, Waccamaw Bank has \$550 million in assets and is headquartered in Whiteville, North Carolina. We have securities in North Carolina counties within the region insured by companies involved in subprime lending. These securities now run the risk of being written down as a result of the decline in the ratings of the insurance company when the underlying counties are quite sound. There are many other securities within our portfolio including corporates and mortgage backed securities that are performing as agreed and show no signs of material weakness whatsoever, but due to the unstable market conditions they could be subject to the "other than temporarily impaired" regulations within the coming months. At times, there has been no market at all for some of these securities.

Our bank is one of many banks across the country that face these issues in a very difficult operating environment. Community banks have already been subjected to a substantial decline in interest rates which has tightened net interest margin while the competition for liquidity throughout the market is unprecedented in my *37 years as a banker*. It is quite obvious billions of dollars in capital have been removed from the financial systems due to the mark to market accounting issues. The question that should be asked is whether Fannie Mae or Freddie Mac would have survived had it not been for the equity disappearing due to the mark to market write downs of their mortgage holdings. I think that it is fair to say that the billions of dollars of bank capital will be written off as a result of an accounting principle that was studied and instituted in far different times.

It is my belief that the FASB has the responsibility to be responsive to current situations. Undoubtedly, when the mark to market was approved, during the study period of 2000 to 2006, the markets were efficient and times were good. However, we are in a far different world today and the accounting principles that have been implemented will only serve to cause great losses which will weaken the strength of our nation, costs tens if not hundreds of thousands of jobs and tens of thousands of businesses to fail. While I totally support transparency, community banks ran their own unrealized losses through the capital accounts and transparent to all parties involved in bank investing as well as, of course, bank regulators. I feel that the justification of suspension of mark to market is clear and would ask in the strongest terms that you suspend mark to market and "other than temporarily impairment" rule until such time as they can be thoroughly evaluated and studied in such an unstable market. These principles only work when there is a market being operated in an efficient manner and this is certainly not true today. I once again ask that you take action quickly and decisively to remove these accounting standards so we can restore faith in the financial systems of America and begin moving our economy forward again. It is my understanding that only the US accounting system uses this principal!!

Sincerely,
J. Daniel Hardy
SrVP and Chief Lending Officer