

Piedmont
FEDERAL
SAVINGS BANK

Richard E. Wagner, Jr.
President & CEO

August 26, 2010

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

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

Dear Mr. Golden:

Thank you for the opportunity to respond to the proposed accounting changes outlined in the exposure draft referenced above.

I am the President and CEO of a \$900 million dollar, federally chartered mutual savings bank, Piedmont Federal Savings Bank based in Winston-Salem, North Carolina, docket number 0007. I have been in the financial services industry for thirty-two years, twenty-three of those at Piedmont Federal Savings Bank. I received my Masters in Business Administration from Wake Forest University in 1984.

Piedmont Federal Savings Bank was founded in 1903 and has successfully helped fulfill the mortgage lending and other financial needs of the communities we serve ever since. Our business model is simple, time-tested, and proven over the past 107 years. We are a portfolio lender with all asset growth derived from the earnings of the institution. To my knowledge, Piedmont Federal Savings Bank has never had a single year of negative earnings.

Key to this success is adherence to conservative prudent business practices and paying attention to the details. Piedmont Federal Savings Bank enjoys enviable financial strength and security with a net worth of just over \$200 million, all of which came entirely from earnings. A high level of both long and short-term liquidity is maintained to hedge against adverse interest rate movements. This has proven to be effective.

I share this information with you as background to understand my concerns about the FASB's proposal of marking to market loans, especially mortgage loans. The marking of loans to market will create instability within the financial markets and create wide theoretical swings in income and net worth. It is possible that given radical market movement on any given day under the proposed mark to market rules the net worth and income of Piedmont Federal Savings Bank could be severely impacted even though the cash flows, income streams, and performing assets are healthy and perfectly intact. Mark to market is valid in regard to a true purchase and plan to sell transaction, one where there is a willing buyer and seller. Outside of that context, mark to market loses its value, especially for businesses that are not for sale.

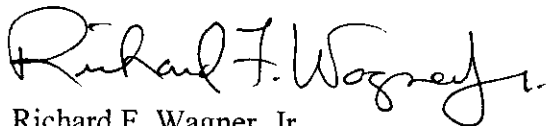
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Piedmont Federal Savings Bank is not for sale, neither are the loans it originates. It is inaccurate and would distort the financials of Piedmont Federal Savings Bank to place an artificial market value on the institution or its assets as long as those assets are performing. For non-performing assets, the accounting rules and guidelines already in place provide for the recognition of the degradation of those assets. Piedmont Federal Savings Bank has the ability to hold its long-term assets given the financial strength, capital and liquidity position of the institution.

FASB's mark to market proposal will drastically and negatively alter Piedmont Federal Savings Bank's proven and time-tested business model. The most obvious impact will be the financial and time burden placed on the institution to mark its loans to market. The proposal will also limit or eliminate lending in lower income areas due to the concerns over the market valuation of these types of loans, even though these loans are sound loans properly underwritten. The proposal has the potential to eliminate fixed-rate lending allowing for only variable rate loans which adjust to changes in market value. There is a definite need for both short and long-term fixed rate financing. Without fixed rate loans a significant burden would be placed on those borrowers who need certainty in their financial planning that only a fixed rate loan can bring. With the ebb and flow of market values, consumer confidence will be in a constant state of flux and cause unwarranted concern and confusion from a consumer's perspective as to the viability of an institution.

I respectfully request that you eliminate the proposal to mark loans to market in the interest of reducing variability in the financial markets and preserving stability. The existing classification and treatment of held to maturity, available for sale, or available for trade with market valuation footnotes in the financial statements are adequate.

Sincerely,



Richard F. Wagner, Jr.
President and Chief Executive Officer