1810-100 Comment Letter No. 2800

From: <u>carlton.devaughn@firststatedirect.com</u>

To: <u>Director - FASB</u>

Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities" Exposure Draft

**Date:** Thursday, September 30, 2010 2:53:27 PM

Carlton DeVaughn PO Box 547 Lineville, AL 36266-0547

September 30, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. I am writing to strongly urge FASB to not go forward with the proposal.

I am CFO of a community bank in rural Alabama, and, in my opinion, marking the bank's balance sheet to fair market value would greatly misrepresent the financial condition of my bank and other community banks who do not trade financial instruments on a regular basis.

This proposal will further increase the volatility of the bank's balance sheet, will erode capital, will decrease available money to lend, and will serve to further confuse shareholders and customers (just this week, I dealt with one shareholder who was irate because the bank marked its securities to market value each month, thus skewing what he considered to be the true book value of his stock. The majority of a community bank's shareholders and customers simply do not understand the logic of making these dubious arbitrary adjustments to the balance sheet).

This proposal, if enacted, would also be extremely expensive for a small bank to administer, as most of our employees already do several different jobs within the bank. I don't see how we could undertake the task of periodically marking the entire balance sheet to market value without hiring additional staff and/or purchasing new software, thus creating new expenses at a time when profits are already being squeezed by the economic downturn.

In closing, I would urge FASB to give very serious thought to the many negative effects that this proposal would have, particularly on main-street banks and the communities which they serve. I ask you to consider not only shelving this proposal, but also to consider ending the current policy of marking securities to fair market value as well. This practice has caused too much confusion for far too long. It's past time for it to end.

Again, I appreciate the opportunity to comment on this proposal, as well

as on other FASB regulations.

Sincerely,

Carlton DeVaughn 256-396-2187