1810-100
Comment Letter No. 1167

MACON BANK

September 16, 2010

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

File Reference No. 1810-100

Dear Mr. Golden:

Thank you for this opportunity to comment on FASB's exposure draft, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. We certainly understand the objective of trying to provide a more accurate snapshot of a financial institution's balance sheet. However, as community bankers, we have many concerns about the proposal that preclude us from being able to support the proposal in its current form.

Macon Bank is a $1.1 billion mutually owned, independent community bank. Our primary stakeholders and users of our financial statements include our depositors, banking regulatory agencies, and the Federal Home Loan Bank of Atlanta. As a mutual institution, we do not have stockholders, bondholders, or any other type of "investors."

As a community bank, we are focused on building long-term relationships with our customers through deposits and loans. We do not engage in trading activities involving loans or other financial instruments that you would typically find in the large money center banks. Furthermore, we do not engage in the use of derivatives or hedging activities as many larger institutions do.

Under the proposal, we would be required to record loans on the balance sheet at their market value. However, due to customized payment terms, collateralization, and guarantee structures, many commercial bank loans have no reliable market in which they could be sold, which undercuts the reliability of using fair value as the basis for financial statements.

We agree that a loan's intrinsic value may change because of current interest rates or because of the borrower's financial condition, but, if there is a problem in repayment, the typical process is to pursue a workout arrangement with the borrower rather than sell the loan. So, even if it were straightforward to find a market value, that market value is largely irrelevant because we have not sold the loan. As a result of the proposal, capital would be affected by market swings that cannot reasonably be expected to ever be realized.

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An additional concern is the cost associated with reallocating resources to produce and audit fair value data. Because we do not use fair values in managing their cash flows, the proposal would require us to hire more staff or consultants to assist with estimating fair values and to pay significantly higher audit fees.

Given these concerns, I ask that you withdraw the exposure draft and reconsider the implications of using a mark-to-market standard.

Thank you for considering these comments.

Sincerely,

Roger Plemens
President, Chief Executive Officer

Ryan Scaggs
First Vice-President, Chief Financial Officer