

P.O. Box 1806 Center, Texas 75935 936/598-5688 Fax 598-5350 www.shelbysavingsbank.com

September 22, 2010

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

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

Dear Members of the Financial Accounting Standards Board:

I am writing on behalf of Shelby Savings Bank, SSB, a Texas chartered state savings bank. We operate in three rural east Texas counties. Our branches are all located in communities with populations of 6,000 or less. The largest county population is approximately 30,000. The bank has approximately \$230,000,000 in assets. As a rural institution we make many different types of loans. These include single family residences, poultry farms, agricultural land, timber land, various types of small business loans, cattle operations, timber equipment, farm equipment, some oil field equipment, autos, home improvement, home equity, different types of consumer loans, and other types as requested. Our bank and our local competitors are all "community banks" focused on our local communities and meeting their needs. I serve as the president and CEO of the bank and am actively involved in the daily management and operations. Our board of directors is very active and all serve on the board loan committee which meets weekly to review large loan requests, delinquencies, problem loans, repossessed assets, and real estate owned.

We are primarily a portfolio lender. The only loans we sell are single family residential fixed rate loans that qualify for the secondary market. We retain the servicing, but no interest in the loan. Our purpose for selling these loans is to limit interest rate risk. All of our other loans are held in the portfolio and serviced during the life of the loan. Due to our rural location and the many different types of loans we make, very few of our non residential loans have a secondary market value. These loans are made to serve our customers and for the bank to make the spread on the loans. If a loan becomes a problem asset we work that loan out, or if a successful solution is not found, we foreclose/repossess the collateral and dispose of it. We have a very successful track record of working with our customers and reaching successful conclusions. At times we have gone several years without having a real estate foreclosure and our normal level of repossessed assets is two to five at any one time. The market value of these loans is not a factor for us because our intent is to work with our customers and have the loans paid in full over the term of the note.

The proposed requirement to mark our loans to market is not realistic for a community bank that operates as a portfolio lender. Determining the value of many of our loans would be a logistical nightmare that will require substantial additional resources. These resources would be far better utilized for daily operations than performing a function that has no value for our type institution. In

addition, if this proposal is adopted, we will have to consider shortening all of our loan terms. We currently have loans with terms up to twenty five years (real estate) and up to ten years (non-real estate). The primary option we see to control mark to market volatility is to shorten the loan terms. If we do this, that will eliminate our ability to make many good loans because they will not be able to meet debt service cash flow requirements over the shorter terms. In effect, one result of this proposal may well be to severely restrict lending by community banks.

We understand your intent is to provide consistent accounting practices globally. We also understand this proposal does not accomplish that. We believe this proposal will severely restrict our ability to serve our customers and will provide no realistic benefits. Therefore, it is our request that this proposal be withdrawn.

Thank you for the opportunity to express our concerns about this proposal.

Sincerely

President / CFC

Copy: James Campbell, Chairman
Gail Cuculic, Vice Chairman
Rick Campbell, Director
Sammy Dance, Director
Lisa McAdams, Director
Donald Monroe, Director

Will Lucas, Director Lynn Hartt, Director