From: olin.davis@myecb.com
To: Director - FASB
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Saturday, September 18, 2010 10:02:47 AM

T. Olin Davis
P O Box 337
Engelhard, NC 27824-0337

September 18, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As EVP & CCO of The East Carolina Bank, a banking institution in Engelhard, NC with $930 MM in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. Community bankers are still adjusting to the regulatory guidance changes that took effect 12.31.2006. To institute additional changes adds a significant burden to the small community bank to ensure its compliance with all the regulations.

Thank you for considering my comments.

Sincerely,

252-925-5472
Executive Vice President and Chief Credit Officer
The East Carolina Bank