1810-100 Comment Letter No. 1792

From: rmassengill@centurybanknet.com

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: Monday, September 20, 2010 10:37:54 AM

Rhonda Massengill 215 East Main Street, P.O. Box 580 Cartersville, GA 30120-0580

September 20, 2010

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

Dear Mr. Golden:

I am Rhonda Massengill, CFO of Century Bank of Georgia in Cartersville, Georgia and I would like to 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.

Century Bank of Georgia is a \$120 million community bank with 29 employees. We are in an extremely competitive market and every day brings new challenges to our interest margin and ROA. We, like most small community banks do not have the resources to implement the new proposal.

The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis.

Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable.

We oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis.

We oppose requiring institutions to record demand deposits at fair value.

We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

Community banks such as Century Bank of Georgia create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market.

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability.

Our concern at Century Bank of Georgia is that the proposed accounting changes could possibly end fixed-rate lending.

The expanded reporting of comprehensive income is unnecessary, confusing and of little use to most financial statement users.

Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorb losses and raise capital during times of economic difficulties, such as the current environment.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements.

These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

Fortunately, Century Bank of Georgia has been able to "weather the storm" so to speak during this most recent economic and credit crisis. This was due to conservative lending practices and management team. Small banks such as ours are just now beginning to see some hope in that there continues to be a need for community banking. This new accounting proposal which will require more capital and restrict lending, could be the downfall of community banks such as ours.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

Rhonda C. Massengill, CFO 678-721-2023