

September 29, 2010

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

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

Dear Mr. Golden,

I am writing to comment on the above referenced proposal. I am the Chief Financial Officer for an independent community bank, The Farmers Bank of Appomattox, with assets of \$180 million. Our Bank has five branches and serves a five county area in central Virginia. With this letter, I hope to communicate ways in which the referenced proposal would be difficult and costly to implement with very little added benefit to the users of our financial statements. I believe that implementation of the referenced proposal would be difficult and costly not only for our Bank, but all banks.

Accounting standards as they currently stand allow banks to account for financial instruments based on our business model. For example, loans are booked under the basic premise that they are sound loans that will be held to maturity and paid according to the terms of the loan contract. Requiring loans to be reported at fair value ignores this basic premise. In a community bank environment, when problems arise with loan repayment, the loan is not sold, but worked out. Reporting loans at fair value, or "exit price", would lead to reporting gains that might never be recognized or losses that are unlikely to occur. In fact, fair value may end up having no bearing on the ultimate cash flow of loan asset conversion.

Perhaps even a bigger issue is the determination of this fair value. There is no reliable, active market for the selling of community bank loans. Valuation methodologies would vary greatly from bank to bank, thus making the comparison of financial statements from period to period and entity to entity a useless activity for the users of our financial statements. Moreover, the development and implementation of this valuation methodology would be very time consuming. The typical community bank has a small accounting staff that is stretched thin with day to day accounting and financial reporting activities. Our Bank is a public company, so we must comply with smaller public company reporting standards unless we have been exempted. The additional time that would be required to develop and implement a valuation methodology would truly be a burden.

Another issue of concern resulting from this proposal is the effect on the Bank's capital position. Having fair value adjustments flow through comprehensive income and reflected on the balance sheet could possibly distort the Bank's capital position, which is an important measurement for regulatory purposes. With some fair value adjustments flowing directly through earnings, while some flow through comprehensive income, a level of complexity and probably confusion would be added to our financial statements that is simply not going to be offset by the value of the added information.

In closing, I do not feel that the added value of reporting loans at fair value in the balance sheet as opposed to the financial statement notes in any way matches the cost of implementing this proposal. In fact, implementation of the proposal would likely result in confusion for users of our financial statements and the inability to make comparisons from period to period and entity to entity.

I appreciate the opportunity to comment on this proposal.

Sincerely,

Laun Lolley
Dawn S. Tolley, CPA
Chief Financial Officer