

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

Re: File Reference #1810-100

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." Specifically, I am writing to voice opposition by our management team, Board of Directors, and myself, as a licensed CPA, to the adoption of mark to market accounting.

Morganton Federal Savings and Loan Association is a 107 year-old \$84 million federally chartered mutual thrift with one location in Morganton, NC. As a mutual thrift, we are owned by our depositors. We have always conducted our business in a safe and sound manner.

Because we are owned by our depositors, we are in the business of maintaining long-term relationships with our customers. Interest rate hedges and financial derivative instruments are not a part of our business model. Morganton Federal does not participate in the secondary market. Why do we need to put a market value on a 15-year or 30-year mortgage loan that we may never sell in the secondary market? Should we decide to sell, a market value will be determined at that time. Further, a market price for the non-homogeneous loans in our portfolio would be a highly subjective level 3 price due to the lack of a readily discernable market. Adjusting the market price of a loan not only disrupts a predictable stream of income, but adds volatility to our balance sheet.

Aside from the questionable necessity or utility of such mark to market measures, how would we price a liability/deposit? This exposure draft would again require us to use a highly subjective level 3 market price for our liabilities and deposits to reflect a theoretical liquidation value of a going concern whether a stock or mutual entity. As long as an entity remains a going concern, the outstanding balance of a liability or deposit is going to be paid at the contractual amount at maturity as disclosed in the balance sheet. Valuing our institution at a theoretical liquidation

value is counterintuitive to our philosophy of conducting our business in a safe and sound manner.

Marking our financial instruments to market value would only create fluctuations in income generating volatility in our bank's capital and would not enhance the understanding and comparability of our financial statements. In addition, marking all financial instruments to market would require us to shorten maturities of our loan and deposit products to reduce volatility.

As a mutual thrift, our depositors' interests in our financial statements center more on our Tier 1 capital levels as a measure of the safety of their deposit dollars. Their concern is that their money is safe and sound. Our financial statements are used almost exclusively by our regulator, the Office of Thrift Supervision and our correspondent banks, the Federal Home Loan Bank of Atlanta and Community Bankers' Bank.

The costs associated with increased personnel, investment in additional software, and increased audit fees in an institution that currently operates on a staff of ten employees far exceeds any benefits derived in marking our financial instruments to a market value that will never enhance financial statement transparency to the limited users of our financial statements.

For the reasons listed above, we ask that the fair value section of the exposure draft be eliminated.

Sincerely,

Kimberly B. Kling, CPA

VP/CFO