

From: george.kirkland@sgfc.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: Friday, September 24, 2010 5:18:10 PM

George Kirkland
201 First Street, SE
Moultrie, GA 31768-4747

September 24, 2010

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

Dear Mr. Golden:

On behalf of Southwest Georgia Financial Corporation (SGFC) and management, we appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

SGFC is a small one-bank holding company headquartered in Moultrie, Georgia with approximately \$300 million in assets. SGFC takes pride in providing comprehensive financial information to the community and also supports standards and interpretations that clearly result in reliable and relevant information that can improve the understanding of the bank's financial condition and results.

SGFC believes these proposed standards will not improve financial reporting and will severely impact the way financial institutions conduct business and will not accomplish the objectives of the FASB's Board. The following are our comments on this proposed guidance:

I. COMMENTS ON FAIR VALUE

We feel that this guidance will force community banks to severely alter their business models to focus on fair value characteristics of loans held to maturity versus considering the economic viability of loans and the borrower's creditworthiness. A financial institution business model should be driven by making loans to individuals and businesses having the ability to repay the loans under the contractual terms and not based on whether a liquid market exists for the loans. Many loans that community banks make have no liquid market in order to be valued properly.

Fair valuing inconsistencies in evaluations and methods will make comparability between banks impossible. Moving from recording loans at a known cost basis and true value (amortized cost) to some other derived and perceived fair value (which is never true or accurate) is not how the amounts on the face of a bank's financial statement of condition should be presented. Under this proposed guidance, market condition of certain loan types becomes the primary drivers of the bank's earnings instead of the quality of loans.

The mismatch created by loans being recorded at fair value and core deposits being recorded at a 're-measurement' amount under this proposal may cause wide fluctuations in the bank's capital. Also, it may create

the need for a bank to have to raise additional capital to operate and meet regulatory requirements.

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.

This new proposed guidance conflicts with the direction of the IASB (International accounting standards). The IASB proposed that held to maturity loans be recorded on an amortized cost basis.

SGFC encourage the FASB to objectively review independent surveys of investors and analysts that have been conducted by various organizations for feed back relevant to this proposed accounting guidance. It is important for the FASB to consider the views of all user groups before concluding on what the user community as a whole wants or needs. Based on our informal discussions with investors and analysts, they do not support accounting for loans held to maturity on the balance sheet at fair value.

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

II. COMMENTS ON LOAN IMPAIRMENT

We support the Board's efforts to revise the methodology to estimate loan loss provisions. However, we have serious concerns about how such changes can be implemented by banks like ours. We recommend that any final model be tested by banks our size in order to ensure that the model is solid and workable. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

Thank you for considering our comments.

Sincerely,

229 873-3830
SVP and Treasurer
Southwest Georgia Financial Corporation