December 9, 2010

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

Via email: director@fasb.org

File Reference No. 1880-100 Clarifications to Accounting for Troubled Debt Restructurings by Creditors (ED)

Dear Technical Director:

On behalf of Carolina Bank I appreciate the opportunity to comment on the exposure draft referenced above. Carolina Bank is a community bank with some seven hundred million dollars in assets, serving the Piedmont Triad area of North Carolina. We do understand the concerns with the TDR issues. However, we are opposed to the draft ED as the proposed changes will make loan modifications far too complex and difficult, not to mention the added costs, especially to banks under ten billion in size. It also misses the point on whether or not the related loans pose increased risk or not to the bank.

The changes will, if implemented, require many changes to our process to identify TDRs. These processes are based on specific guidance issued by our regulators and auditors in the past. Taking away their past guidance will add complexity to the process and we will be in a quandary as to whose rules we should follow. The amounts reported will then contain many cases of legitimate loan modifications whereby no significant concession has been provided. We don't believe this will result in better FINANCIAL reporting. Then we would lack the information to perform any kind of retrospective reporting of these modifications.

The ED also emphasizes the current standard's market-based trigger in identifying TDRs. The trigger is the biggest problem in the TDR analysis. Because of complexities related to specialized terms, collateral, and personal guarantees applied to loans, it is very difficult to determine the "market" interest rate on most loans. We may see ranges of as much as 400 basis points difference in rates and fees on loans among bank quotes for new or modified loans in our markets we serve. However, we especially do not agree that a TDR even should be reported when added collateral and guarantees have been obtained to strengthen the credit, thus lessening the risk on the resulting loan terms as we see it.
We appreciate the opportunity to have voiced our thoughts and for your considering these along with those of other bankers.

Cordially,

Gunnar N.R. Fromen
Executive Vice President