September 1, 2010

Technical Director Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116

Dear Sir or Madam:

As officers, directors and stockholders of a 104 year old community bank, we respectfully submit this comment letter regarding the FASB proposal to require all financial instruments including loans to be marked to market on the balance sheet.

Traders and Farmers bank is a 350 million dollar community bank located in Northwest Alabama serving seven rural cities. Established in 1906 by local investors, the bank has survived the Great Depression as well as numerous economic downturns or recessions throughout its 104 year existence.

Traders and Farmers Bank is a closely held company with less than 150 stockholders and with less than 3,000 total shares outstanding. Our parent company, Traders and Farmers Bancshares was formed in 2007 with the expressed purpose of providing our shareholders with a market place for their shares of stock. Since its formation, the holding company has had multiple shareholders approach the board for the sale of common stock back to the holding company. The board, as of the date of this letter, has not received a request from an investor regarding the availability of shares available for purchase.

Traders and Farmers Bank is not unlike the vast majority of community banks throughout the United States. Our stockholder base is almost entirely made up of heirs or descendants of heirs of our original investors. Community bank stock investors, for the most part, purchase their stock as an opportunity to invest in the local community or for the dividend.

Mark to Market accounting on the bank's securities portfolio has impacted the bank's capital position with fluctuations that have varied from a significant addition to a significant deduction in our capital ratio. These variances do not affect the income derived from the portfolio nor does it alter the manner in which the bank views its securities portfolio. Traders and Farmers Bank positions its portfolio in the Available for Sale category based upon its strategic vision and plan for those assets. The security portfolio is used as an income producing asset that provides stability to the annual income of the bank as well as a source for liquidity should the bank need funds. It is not used for

gains trading nor can the bank place the securities in the Held to Maturity category as it is a source of liquidity and that classification restricts the bank's ability to sell a security should a need arise.

The bank's securities portfolio comprises approximately 31% of our earning assets. Due to market movement, the bank has seen an adjustment to its capital account in excess of 15% in either direction. That is not a true indication of the worth of the company or its individual shares. The proposed move of loans to mark to market (with loans comprising 65% of the bank's assets) could make the adjustment that much more volatile and has absolutely no bearing of the value of the bank. All bank's are required to form an Asset/Liability Committee with an Asset/Liability Policy. Recent developments in the examination process has placed a greater emphasis on the calculating of the Economic Value of Equity (EVE). This calculation shows bank management and potential investors the value of the bank under various interest rate scenarios. This economic tool would be of much greater value as it provides a forecast in rising or falling rate economic scenarios versus a one time snapshot in time. This type of information is much more viable to potential investors and it does include a valuation of the bank's assets and liabilities, their maturity schedules and rates or yields much as a mark to market valuation does. It does not, however, falsely adjust the bank's capital position.

As a bank that is regularly examined by representatives from the FDIC as well as the State Banking Department of Alabama, Traders and Farmers Bank is required to maintain a minimum capital to assets ratio. Regulatory action is a concern for community Community bank's do not have nor have they ever had avenues to increase capital as have our bigger brethren. Faced with the prospect of marking such a large percentage of our assets to market and subjecting them to the volatility of the market with that market price causing wild fluctuations in a bank's capital ratio will force community bank's like ours to reposition its lending practices. Real estate lending for our local community will be conducted with Adjustable Rate Mortgages which most borrowers have grown to abhor. Fixed rate products that carry greater interest rate risk and market risk will disappear. An even greater question can be posed concerning lending that is quite common in community banks; personal loans, business loans and agricultural loans. How are we as a bank going to determine the value of loans secured by 50 head of cattle? Values of vehicles, agricultural equipment, timber loans, inventory at convenience stores, inventories at the local hardware store or other retail businesses are all cyclical and can be difficult to evaluate at loan inception much less as an ongoing function that has to be calculated monthly for reporting purposes

Mark to market accounting played a significant role leading up to the Great Depression and has been exacting a heavy price on the credit market since its reinstitution. It has not improved the ability of investors to assess the value of financial institutions, especially in community banks. Furthermore, the fractional reserve method of lending in the United States financial market and mark to market accounting for loan portfolios are at odds with the economic prosperity of the country.

As a community bank board of directors, we respectfully state that the consequences and negative impact of the proposal is far greater than any benefit that can be derived from the proposal. If anything, it is a foot-notable item, not a direct entry to a balance sheet.

Respectfully,

The Board of Directors Traders and Farmers Bank Haleyville, Alabama Established 1906