From: jgiles@cbnk.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: Thursday, September 30, 2010 8:53:22 AM

R. Jerry Giiles 38 North Central Avenue Staunton, VA 24401-4211

September 30, 2010

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

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."

As Senior Vice President and Chief Financial Officer of Community Bank, a community bank in Staunton, Virginia with \$540,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

## I. COMMENTS ON FAIR VALUE

I am strongly opposed to the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not generally sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are collection problems with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and estimating a market value will be confusing to the reader of our financial statements and makes no real sense.

Even if we could easily obtain a market price, since the loan is just one part of the relationship that we have with the customer (multiple loans.), it is not in our best interest to sell the loan.

Marking all loans to market would cause our bank's capital to fluctuate with the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would distort it.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors.

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.

Our investors and readers of our financial statements will be cnfused and have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

I recommend that any final model be tested by banks my size in order to ensure that the model is practicable 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.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

I appreciate your time and consideration of my comments

Sincerely,

540-213-1222 SVP/CFO Community Bank