

From: ajordan@providencebankga.com
To: [Director - FASB](#)
Subject: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities Draft
Date: Tuesday, September 21, 2010 8:58:00 AM

Andrew Jordan
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September 21, 2010

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

Dear Mr. Golden:

Dear Mr. Golden,
Thank you for taking a few moments to review my comments regarding Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. I am writing to urge FASB to not go forward with this proposal. As the Senior Lender for Providence Bank, a small community bank in metro-Atlanta, I am concerned by the effects these accounting changes will have on our bank's ability to succeed, or even survive, if implemented as proposed.

Our primary business is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. We fund our operations by taking in deposits and making loans that we hold long term. Very few of the financial instruments held by my bank are readily marketable. We create and hold small business loans for which there is no active market and it would be very difficult and expensive to mark them to market.

Under the proposed changes, we would be required to periodically remeasure our core deposits using present value calculations. The results of these calculations would not provide meaningful and accurate information. This process would also be expensive and time consuming. With only eleven employees, our staffing is not robust enough to implement these changes without additional personnel.

Community bankers are painfully aware that economic cycles occur and it is very difficult to absorb losses and raise capital during difficult economic times. Accounting standards and guidance should not exacerbate the cyclicity of the economy. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments forced write-downs and sales, that in turn, caused further write-downs and sales. The proposed accounting changes will increase cyclicity in financial results due to the greater reliance on fair value measurements that will be less accurate than current accounting requirements.

These accounting changes will increase the volatility of bank balance

sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability. The implementation of this accounting standard will make success, possibly survival, difficult for community banks like ours who have been decimated by the recent economic downturn and the impact of mark to market accounting. The effects of these changes will make a bad situation worse for community banks and doing so will not markedly improve financial accounting or reporting for small institutions.

Thank you again for the opportunity to comment on the proposed changes. Please contact me if you have questions or wish to discuss my comments.

Sincerely,

Andrew Jordan