

**From:** [jbramblett@patriotbankga.com](mailto:jbramblett@patriotbankga.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 16, 2010 1:08:06 PM

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John D Bramblett  
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Cumming, GA 30041-7223

September 16, 2010

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

Dear Mr. Golden:

Please accept this letter as our comments on "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I serve as President and CEO of Patriot Bank of Georgia, a state chartered banking institution in Cumming, Georgia with \$170 million 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 portion of 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 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 issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan which given our current economic climate has consistently created a significant reduction to capital.

There is no active market for many of our loans, and estimating a market value makes no real sense. Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the client (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing.

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

clients.

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 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.

## II. COMMENTS ON LOAN IMPAIRMENT

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 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.

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.

## III. COMMENTS ON HEDGE ACCOUNTING

I have no comments on the Hedging accounting as our bank doesn't participate in any hedge accounting.

I appreciate the opportunity to respond to these issues.

Sincerely,

770-887-9220  
President and CEO  
Patriot Bank of Georgia

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