1810-100 Comment Letter No. 1973

From: <u>amims@bankccb.com</u>
To: <u>Director - FASB</u>

Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities" Exposure Draft

Date: Monday, September 20, 2010 6:07:54 PM

Alan Mims 225 E Three Notch Andalusia, AL 36420-3122

September 20, 2010

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

Dear Mr. Golden:

Thank you for the opportunity to comment on FASB's Exposure Draft: 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 the proposal. The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

CCB Community Bank is a \$400 million institution located in south Alabama. We are one of two, true community banks in the area. Our competition is primarily the behemoths that have caused the world so many economic problems. While they have staffs that can handle such proposals as this, small businesses like ours will have to hire additional staff and consultants. Certainly, additional costs are extremely difficult to pass along, and the result of that will be reduced lending to our customers. We are already said to have quit lending, though that has not happened with our institution; however, in order to meet capital requirements of the regulators, if profitability drops, our ability to lend follows. 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.

Establishing fair values for the types of loans held by many community banks like our bank would be costly and result in data of questionable reliability. CCB Community Bank is a rural bank with many agricultural loans for purposes such as cattle, poultry and row crops. Fair value measurements will not provide a better understanding of the values of illiquid agricultural loans held by small banks in rural areas such as this bank. In fact, making these assessments would be difficult at best, and would provide NO meaningful information to our shareholders or other users of our financial statements.

Generally, community banks do not make loans for sale to any investors. In our bank, the only sales of loans we have are partipations to other community banks to reduce concentrations or to work within legal lending limits. We also oppose requiring fair value calculations for loans that

are held for the long-term to collect cash flows.

As you are surely aware, Community banks fund their operations by taking deposits and holding loans for the long term. Most financial instruments this bank holds are not readily marketable. With our deposits, for example, we oppose the proposed accounting treatment for core deposits which calls for them to be regularly remeasured using a present value calculation. This would not provide accurate information and the calculations would be expensive and time consuming, particularly for smaller banks like ours that have limited staff resources to conduct the analysis.

Again, we thank your for the opportunity to comment on this proposal. I trust you will consider all aspects of this accounting change; not just that for large companies.

Sincerely,

Alan L. Mims, CPA 3342222561