

**From:** [felicia.barbee@gwbt.com](mailto:felicia.barbee@gwbt.com)  
**To:** [Director - FASB](#)  
**Subject:** Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft  
**Date:** Tuesday, September 28, 2010 1:03:30 PM

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Felicia Barbee  
5102 Alabama Highway  
Ringgold, GA 30736-2436

September 28, 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.

I am the CFO of Gateway Bank & Trust in Ringgold, Georgia, a small North Georgia city which is a bedroom community to Chattanooga, Tennessee and about a two hour drive north to Atlanta, Georgia. Gateway Bank & Trust has an asset size of approximately \$270 million with 3 full service branch locations in North Georgia. We provide commercial, residential and consumers loans as well as deposits products such as checking, savings, IRAs, and CDs.

The Bank currently has approximately 250 shareholders from the community who invested in the Bank in 1997 as the Bank is only 13 years old.

As of the June 30, 2010 Georgia State Performance Reports show that approximately 50% of Georgia Banks were showing negative earnings. However, Gateway is showing a profit with the loan loss reserve being heavily funded and sitting at 2.75% of loans as of June 30th.

The Bank has worked hard during these economic times to provide benefits to their employees and shareholders as well as the consumers from the community it serves.

I believe the new accounting rules would greatly disservice the employees, shareholders and community as the accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks.

The Bank's capital would be negatively effected at a time when regulatory guidelines are already uncertain as the new Financial Stability Oversight Council begins to meet and the new accounting could cause more bank failures due to capital concerns from regulators. In addition, the negative effect on capital would also affect the lending capability of our

Bank and limit the lending available to consumers in the community.

Being a Community Bank, we do not trade the loans and deposits on our books as some other larger banks/firms do. We hold them to collect the contractual cash flows.

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.

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.

We oppose requiring institutions to record demand deposits at fair value. We also oppose requiring fair value calculations for loans that are held for the long-term to collect cash flows.

Community banks such as this bank create and hold small business loans for which there is no active market; it would be very difficult and costly to mark them to market. 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.

Conservative community bankers (and bank regulators) see the need for more flexibility in setting the allowance for loan and lease losses. We are all well aware that economic cycles occur and it is very difficult to absorbing losses and raising capital during times of economic difficulties, such as the current environment.

Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales.

The proposed accounting changes will exacerbate cyclicity in financial results due to the greater reliance on fair value measurements, valuations 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.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

Felicia Barbee  
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