From: Timothy Jewell

To: Director - FASB

Subject: File Reference #1810-100

Date: Tuesday, September 07, 2010 10:08:00 AM

Dear Technical Director:

I am writing to comment on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities and in particular the proposal that banks be required to mark all financial instruments to market. As the CEO of a small community thrift which retains the majority of its mortgage loan production in its own portfolio, I have a hard time imagining a more inappropriate and damaging accounting rule than what the FASB has proposed. My concerns are varied and deep:

First, requiring a portfolio mortgage lender such as ourselves to mark our portfolio of long-term held-to-maturity loans to market will cause wild swings in our earnings and capital and is entirely inappropriate and impractical for our business model. We have no intention of selling loans from our held-to-maturity portfolio and in fact, because they are not underwritten or documented for the secondary market, there is no active market for them anyway. We make and hold our portfolio loans strictly as long-term investments and historical cost is the only appropriate accounting basis.

Second, requiring mark-to-market could cause many financial institutions such as ourselves to change their business models simply to combat the negative effects. How could my institution possibly survive long-term if the carrying value our loan portfolio, and therefore our capital, swung wildly with each change in interest rates? We couldn't. How could a regulator allow a bank to operate under a business model that insures wild swings in earnings and capital? It couldn't. Institution will have no choice other than to sell all long-term, fixed rate loans (if there's any market for them left) and hold only short-term and/or variable rate loans. The availability of non-conforming, fixed rate loans will all but disappear and even the availability of conforming mortgages could be impacted and there will be a large incentive to keep any fixed rate assets off all balance sheets. The ultimate loser will be the consumer who will see their credit options significantly reduced.

Third, this proposal will cause significant confusion and concern on the part of our most important constituency, our depositors. They will not understand that the swings in our earnings are being caused simply by movements in interest rates and have no bearing on our true profitability, liquidity, cash flow, capital and ultimately solvency. But when interest rates spike causing us to recognize large paper losses, the news will spread quickly in our small communities and the effects of the resulting run on our deposits will be very real indeed.

Lastly, I also have considerable concern with the time and expense which would be required to comply with this proposal. As a small community bank already over burdened with accounting and regulatory compliance demands, these considerable additional demands would make it that much more difficult for a bank like us to compete in our present form. Much like the misguided application of Sarbanes-Oxley, this proposal could cause a significant reduction in small institutions once again harming the consumers most of all.

Thank you for the opportunity to comment on this proposal. I hope that my comments shed some

light on the far reaching negative consequences this rule would have. Please contact me if I can be of any further assistance.

Sincerely,

Timothy J. Jewell, President Eaton Federal Savings Bank

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