

September 20, 2010

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

Re: File Reference #1810-100

Dear Mr. Golden:

We want to express our appreciation for the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." As the President & CEO, and the Executive Vice President, COO and CFO, of Franklin Savings Bank in Franklin, New Hampshire, we want to be on record expressing our opinion on specific provisions of the exposure draft.

By way of introduction, Franklin Savings Bank is an independent mutual savings bank with \$350 million in assets. Our organization was chartered in 1869, and has grown to its current size by successfully serving the financial needs of the communities we serve in Central NH.

I. COMMENTS ON FAIR VALUE:

We are 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. Franklin Savings Bank does not sell our commercial loans; nor do we sell residential loans that are originated for our own portfolio. By reporting our loans at fair value, and making adjustments to bank capital, our customers may wrongly assume the Bank has changed its business practices and no longer has an interest in long-term customer relationships. As we operate in very small communities, this impression could have a serious adverse impact on our institution.

We also have great difficulty with the idea of establishing a fair value for the Bank's core deposits. As noted in the opening of this letter, our Bank has been in existence for over 140 years. We build strong customer relationships, as evidenced by the very low level of single service households we maintain. We have also experienced very stable and consistent account balance growth regardless of the interest rate environment. Based on this, we may believe that the core deposit life is ten years for Franklin Savings Bank. The "problem" with this however, is that a long estimated life translates into significant capital adjustments (both up and down) when interest rates change even by small amounts.





Mr. Golden Page Two September 20, 2010

A real consequence of this pronouncement, should it be enacted, is that Franklin Savings Bank will discontinue making long-term fixed rate loans. This would be truly unfortunate for the communities we serve. Our Bank has made a number of 10, 15, 20 and 30 year fixed rate **portfolio** loans in recent years. We have worked to do this because that's what our customers have asked for – many who simply could not qualify for sale into the secondary market. Knowing the affect these long-term fixed rate assets will have on Bank capital levels, we will have no choice but to offer only variable rate loans. This may be better for the Bank's earnings over time – but it will come at the expense of our customers and our communities.

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. This will be on top of all the regulatory changes we face as a result of the recently enacted Dodd-Frank bill.

Please allow us to express once again – we are a \$350 million mutual savings bank in Central New Hampshire. We see absolutely no benefit to fair value accounting for our Bank. The truth is that there is no positive benefit, only negative consequences for the Bank, its staff and most importantly our valued customers and community.

For all of these reasons, our bank respectfully requests that the fair value section of the exposure draft be dropped.

Sincerely,

Jeffery B. Savage

President & CEO

Ronald L. Magoon

EVP, COO & CFO