Cambridge Savings Bank

September 23, 2010

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

Dear Mr. Golden:

I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As Chief Financial Officer of Cambridge Savings Bank, a banking institution in Cambridge, MA with $2 billion in total assets, I am writing to express my opinion regarding the fair value accounting on loans and loan impairment.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the proposal that requires all financial instruments – including loans – to be reported at fair value (market value) on the balance sheet.

Of particular concern is the application of the fair value proposal to commercial loans. As a community bank competing in a highly competitive market, we distinguish ourselves by our ability to customize our loan products to meet our borrowers' needs. This customization would make it difficult and costly to consistently and accurately determine a meaningful fair value on these loans. Additionally, 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.

Our bank does not sell commercial loans and indeed, I would submit that there is no active market for many of these loans, and there already exists accounting rules that require fair value accounting on loans that are designated as held for sale. Additionally, even if we could easily obtain a market price, there is no financial incentive or appropriate business reason to sell, since most of our loan relationships have multiple products and services, including other loans, deposits and investment and trust services, etc.

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. Instead of providing better information about our bank's health, this proposal would mask it. Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our customers and depositors.

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 do not support the proposal for recording interest income. Interest rate risk and credit risk have always and appropriately been managed and reported on separately. I believe this makes the understanding of financial statements and the condition of an entity clear. Under the proposal, interest income would have elements of the impact of interest rate changes and credit quality, including the volatility that comes naturally from the provisioning process. By combining the effects of interest rate and credit risk, this part of the proposal will only obscure the financial condition of an entity, not enhance it. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

Wayne F. Patenaude

Executive Vice President & Chief Financial Officer

Robert M. Wilson

President & Chief Executive Officer