

**From:** [jhamilton@charlesriverbank.com](mailto:jhamilton@charlesriverbank.com)  
**To:** [Director - FASB](#)  
**Subject:** File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"  
**Date:** Tuesday, September 21, 2010 12:43:04 PM

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John Hamilton  
70 Main Street  
Medway, MA 02053-1816

September 21, 2010

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

Dear Mr. Golden:

Thank you 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 President & CEO of Charles River Bank, a mutually owned co-operative bank headquartered in Medway, Massachusetts with \$185 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

Upon reading the draft I have several significant issues to raise that if allowed to be enacted would dramatically alter the course of community banking, and possibly signify the end of community banks as we know them.

We operate on Main Street, not Wall Street, and the "utopian" view of balance sheets and income statements that FASB is obsessed with does not translate into the daily issues confronted by front line financial institutions and the millions of every day citizens that are our customer base.

My first concern deals with that portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our mission, as a community bank, is to provide loans for the purchase, construction, refinancing of residential properties and the financing of small business needs.

We keep most loans that we originate in portfolio.

We have both the intention and the capacity to hold these loans, loans that are the bedrock of community development and economic prosperity, until maturity. They are structured and priced to offer maximum value and security to our customer and maximum long term return to our institution.

To treat these long term investments as "available for sale" trading instruments is ludicrous and would force community banks to withdraw from

these markets, or restructure these loans in such a way that would be detrimental to the long term stability of consumers and small businesses alike.

There is no "market" for our small business loans and valuing these loans against a market outlet that does not exist would be an exercise in subjectivity and futility that serves no purpose for a mutually owned institution. For what purpose would this inaccurate analysis stand? For our non-existent investors perhaps?

As a small bank, with limited resources, struggling to maintain compliance with an ever burgeoning federal regulatory fervor the cost of compliance with this unnecessary and ill conceived regulation would be considerable and further inhibit our ability to serve the needs of our communities.

I therefore strongly urge the Board to abandon the fair value section of the exposure draft.

I understand and applaud the Board's attempts to revise the methodology by which loan loss reserves are estimated. However, I have grave concerns about the potential impacts such changes would have on community banks.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. We currently have to wage a battle between regulators who want to see huge reserves and auditors who demand we justify any addition to reserves. (We have had less than \$100,000 in charge offs over the past ten years).

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for taking the time to consider my comments. I hope you better understand the challenges facing our nation's community banks as we attempt to negotiate the post meltdown world.

Sincerely,

508-533-8661  
President & CEO  
Charles River Bank