

From: tfelter@fnbi.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: Wednesday, September 29, 2010 4:13:17 PM

Timothy Felter
31 Market Street
Ipswich, MA 01938-2212

September 29, 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 Senior Vice president and CFO of The First National Bank of Ipswich, a banking institution in Ipswich, MA with \$265 million in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I am 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.

There is no active market for many of our loans, and estimating a market value makes no real sense. To even suggest that the loans are homogeneous enough to use a model is disingenuous. There are no industry sanctioned underwriting and documentation standards that allow for standardization among different companies.

In addition, without a standard market for selling loans, the financial statement reader is likely to believe that disclosed market values are real indications of realizable value. We have seen over the past three years that fair value is not realizable in an illiquid market.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

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 or its ability to pay dividends, the 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 investors, customers and depositors.

Our investors seem to have no interest in receiving this information. We get no investor questions about the fair value information currently disclosed. We believe our investors would not view the incremental costs to implement this accounting rule, which must come out of bank earnings, as being either reasonable or worthwhile. The costs and resources that we will need to comply with this new requirement would be significant.

COMMENTS ON LOAN IMPAIRMENT AND HEDGE ACCOUNTING

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be successfully implemented by banks like mine. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting.

Thank you for considering my comments.

Sincerely,

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First National Bank of Ipswich