From:	H.Clay Hawkins [hhawkins@claremontsavings.com]
Sent:	Tuesday, October 26, 2004 3:15 PM
To:	Director - FASB
Subject:	EITF 03-1

Letter of Comment No: 55
File Reference: EITF03-1A

October 26, 2004

Mr. Lawrence Smith
Director and Chairman of the Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856

Re: Proposed FASB Staff Position, EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"

Dear Mr. Smith:

The Claremont Savings Bank appreciates the opportunity to comment on the proposed Staff Position on the Financial Accounting Standards Board (FSP 03-1-a). The Bank is a mutual savings bank with a 14% capital ratio on $272,000,000 in assets. We serve a homogenous community of several towns on the Connecticut River in NH and VT and have many issues with regulations that are promulgated for stock holder owned commercial banks, particularly those located in diverse urban environments. As you can tell by our location and size, the Bank is community oriented, responsive to the needs of our customers, and totally functional without such intrusions as the CRA, Reg DD, Reg Z, USA Patriot Act, etc. These regulations are a tremendous burden and do little to change how we operate as a financial institution except to add policies, procedures, and documentation that are unnecessary. Now comes FASB with a rule to disrupt our balance sheet.

The concerns of the Bank are twofold: how bonds are treated when market value is less than book and how this affects the equity portfolio of the Bank.

At the Bank's last Federal Deposit Insurance Corporation (FDIC) examination, an overzealous examiner classified a number of stocks and a bond as impaired despite contrary evaluations by an independent registered third party investment advisor. These classifications amounted to 57% of the classified assets on that examination. If you look at the stock and bond market as of September 30, 2002, you will see that the markets were at dismal lows at that time. While the Bank is strong enough and intended to hold those assets until they recovered, there was no arguing with the FDIC examiner.

The long and short of it is that we ended up selling the stocks because we had conflicting financial reports (FDIC vs CPA) and sold the bond at a profit within six months. Having to restructure our balance sheet because of evaluations at the bottom of the market was a disservice to the institution and it accomplished nothing for our "owners"--the Bank's depositors. As a mutual savings bank, the reporting requirements are somewhat meaningless except to FDIC and our state banking department.

The Bank has 32% of its assets in stocks and bonds which vary in value each day. Changes in interest rates or movements in the stock market should not be determinants of income and expense unless the Bank chooses to sell assets in order to manage income, change the risk profile, take capital gains(losses) for tax purposes, or liquidity. Even if a stock or bond has lost 50% of its value, there may be good reasons to hold or even average down if fundamentals indicate an eventual recovery. In the case of the bond referenced above, the Bank would have doubled its money if it had invested more when the FDIC was classifying the asset. The value of assets and their future performance is not in the purview of accountants, but the professionals who work with marketable securities every day.

In our opinion, to suggest that a financial institution must write down all available for sale fixed income investments because it sold some that were underwater is bad accounting. There are regulators who are totally inflexible in their application of accounting rules. Placing hard parameters on the definition of "Other than temporarily impaired" defies the reality of the market. A decision to buy or sell a security is best left to the financial institution and its investment professionals.

Sincerely,

H. Clay Hawkins IV
President
via e-mail

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