

1810-100 Comment Letter No. 1173 9 Bristol Road P.O. Box 940 Damariscotta, ME 04543 Phone: 207.563.3272 Fax: 207.563.6853 Email: stephen.ward@thefirst.com

September 20, 2010

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

Daniel R. Daigneault President and Chief Executive Officer

F. Stephen Ward
Treasurer

Re: File Reference: No. 1810 100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

Dear Mr. Golden:

P.O. Box 940

Damariscotta, Maine
04543

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 Chief Financial Officer of The First Bancorp, Inc., a bank holding company in Damariscotta, Maine with \$1.3 billion in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

www.thefirstbancorp.com 800.564.3195

I. FAIR VALUE

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 our balance sheet. We are a community bank serving a relatively rural market, and we do not sell our commercial loans. Basing our balance sheet on fair values would lead readers of our financial statements to assume that we will sell the loans, which is not the case. Except for conforming 1-4 family residential mortgages, there is no active market for of our loans, and estimating a market value makes no real sense.

Marking all loans to market would cause our capital to sway with fluctuations in the markets, even if the entire loan portfolio is performing. Instead of providing better information about the Bank's health or its ability to pay dividends, this proposal would mask it. Even if regulatory capital requirements allow a bank to exclude fair value fluctuations; we are a publicly traded company with our shares listed on Nasdaq. These fluctuations to capital will require detailed and complex explanation if our investors, as well as our customers and depositors, are to truly understand our financial statements.

Our investors have expressed no interest in receiving this information, and, in fact, have indicated that this will make analyzing our financial statements more confusing and less transparent. This proposal will require us to pay outside consultants to estimate market value, as we do now with mortgage servicing rights. The costs and resources that we will need to comply with this new requirement would be significant, and we believe our investors would not view these costs, which must come out of earnings, as being either reasonable or worthwhile.

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

II. LOAN IMPAIRMENT

I do not support the Board's efforts to revise the methodology to estimate loan loss provisions. In my opinion, any new processes related to loan impairment and the estimate for loan loss provisions should begin with banking regulators, and then reviewed by FASB, not in reverse as you are attempting to do. In addition, I have serious concerns about how such changes can be implemented by a bank like mine and recommend that any final model be tested by banks of my size in order to ensure that the model is solid and workable.

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.

III. HEDGE ACCOUNTING

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, especially when using caps and floors for simple hedging of interest rate risk.

The "shortcut" and the "critical terms match" methods should be maintained or simplified for banks similar to mine. This greatly helps medium and smaller banks like mine to reduce the cost of compliance with the hedge accounting rules.

Thank you for considering my comments.

With best regards,

F. Stephen Ward

Executive Vice President, Treasurer & Chief Financial Officer