



# MILFORD FEDERAL SAVINGS and LOAN ASSOCIATION

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December 24, 2008



LETTER OF COMMENT NO. 12

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

File Reference: Proposed FSP EITF 99-20-a

Dear Director:

We, together with our trade organization, the American Bankers Association (ABA), have been following with great interest the discussions and proposed actions/changes by the FASB concerning Other Than Temporary Impairment (OTTI). The OTTI issue has particular interest for us as we are a holder of the Shay Investment Ultra Short Mortgage Fund. It is my understanding that the FASB staff has had some discussions with the ABA concerning this fund. It is a mutual fund consisting of cash and mortgage debt securities. To date there has been no credit related impairment in the fund.

We support the proposed FSP, because it represents an improvement for users of financial statements by focusing probability of loss. We respectfully request that the FASB expand the proposal to include other types of securities. For example, our bank and many other community banks have invested in the Shay Funds. We choose these funds because they represent investments with which we have a significant amount of expertise – mortgages. We hold these in our “available for sale” portfolio, and are similar to direct investments in mortgage backed securities that larger banks hold.

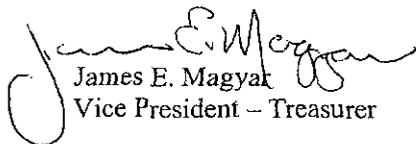
The Shay Funds are in a similar situation as many of the EITF 99-20 securities: no credit impairment, but significant market value impairment. It seems odd to us that we would write down—permanently through earnings—impairment for these mutual funds while our competitors would not. It is my understanding that one issue that works against the treatment of such funds as debt securities is management control. Shay controls the fund and the bank’s management does not actually manage the fund. Therefore, we as bank management cannot say that we have the intent and ability to hold the underlying securities until market values recover. However, a sound position can be taken made that both Shay and we have demonstrated intent and ability to hold the underlying securities until the market improves. The Ultra Short Mortgage Fund has only allowed redemptions in kind to those who wish to liquidate their shares. This redemption in kind, which has been in force for several months, was put in place to protect the value of the fund and underlying investments by not selling them at unnecessary losses. This would indicate that Shay

has the intent and ability to hold the securities until the market values recover. The fact that we have not cashed in or redeemed our shares speaks to our intent and ability to hold as well.

We believe that these types of investments, which are not available to the general investing public and are used by community banks to help defray the costs of operating individual investment portfolios, should be subject to the same accounting rules as the exact same underlying debt securities would be if they were held outside of the mutual fund.

Thank you for your consideration.

Sincerely,

  
James E. Magyak  
Vice President – Treasurer