



LETTER OF COMMENT NO. 172

**To:** Adrian Mills; Diane Inzano; Joseph Vernuccio; Kevin Stoklosa; Kristofer Anderson; Mark Trench; Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning

**Subject:** FW: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

---

**From:** Cole, Anthony (Accounting) [mailto:acole@bcsb.net]  
**Sent:** Tuesday, March 31, 2009 12:28 PM  
**To:** Director - FASB  
**Cc:** Bouffard, Joseph (CEO)  
**Subject:** Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

We appreciate the opportunity to comment on proposed changes to OTTI accounting treatment. This topic has more directly impacted operating results of our industry than perhaps any other accounting issue. Its negative effect is compounded by the terrible economic climate within which we currently operate. Our institution is materially affected by the outcome of these pending changes since we have approximately \$24 million in private label CMOs in our investment portfolio. These securities have gross unrealized losses in excess of \$8 million, which have already been recorded as a reduction of equity on our balance sheet. However, these valuations are dramatically impacted by the illiquid nature of markets in which they are traded. We believe actual credit losses built in to these securities are only a small fraction of currently required valuations. Our situation is not unique in that many institutions have been forced to record enormous losses under current accounting guidelines. Accordingly, we are of the opinion that immediate change is needed to correct this flawed approach. The following major points are of particular concern:

- OTTI losses to be recognized through operating results should be based on credit losses rather than mark to market losses
- Clarification is needed on credit losses so that OTTI is not recognized based upon credit risk
- The effective date of change should be immediate - the second calendar quarter of 2009 – with earlier adoption permitted
- Subsequent recoveries of previously recognized OTTI losses should be reversed within the income statement

Again, the chance to express our opinion is appreciated. We are hopeful that you carefully consider these recommendations to an incredibly important accounting and reporting issue.

Sincerely,

**Anthony R. Cole**  
 Chief Financial Officer  
 Baltimore County Savings Bank, FSB  
 4111 E. Joppa Road  
 Baltimore, MD 21236  
 410-248-1164  
[www.baltcosavings.com](http://www.baltcosavings.com)

3/31/2009