1810-100 Comment Letter No. 2797

From: <u>tomh@hartfordsavingsbank.com</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

Date: Thursday, September 30, 2010 2:43:28 PM

Thomas Haley 1400 Schauer Drive Hartford, WI 53027-1981

September 30, 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 EVP/Treasurer of Hartford Savings Bank, a banking institution in Hartford, Wisconsin with 225,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON 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 the balance sheet.

There is no active market for many of our loans, and estimating a market value makes no real sense. Our core product is a three year balloon note which we renew for an additional three years at maturity and modify the interest rate.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

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 we would not due to the negative impact it would have on a community bank with our customers and reputation.

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 the proposal would mask it.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

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

II. COMMENTS ON LOAN IMPAIRMENT

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 implemented by banks like mine.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

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.

Sincerely,

262-670-2111 EVP/Treasurer Hartford Savings Bank