



LETTER OF COMMENT NO. 104

Subject: FW: File Reference: Proposed FSP EITF 99-20-a.

From: Brian Perry [mailto:brian@web5.com]
Sent: Monday, December 29, 2008 1:11 PM
To: Director - FASB
Subject: File Reference: Proposed FSP EITF 99-20-a.

December 29, 2008

Technical Director
Financial Accounting Standards Board
301 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: Proposed FSP EITF 99-20-a (*Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*)

Dear Technical Director:

Webster Five Cents Savings Bank is a \$550 million mutual savings bank in central Massachusetts. Our assets are primarily loans, originated directly or purchased as mortgage backed securities. These assets, whether in the loan portfolio or investment portfolio, are long term investments. Reserves for losses are maintained for our loan portfolio but not so for the loans in our investment portfolio. So, we appreciate the recent focus of the Financial Accounting Standards Board (FASB) on the important issue of "other than temporary impairment" (OTTI) for certain debt securities.

Our greatest concern regards the practice of writing down through earnings a substantial portion of the carrying amount of a mortgage backed security based on projections of future cash flows that fall, in some cases, less than 1% short of full collection of principal and interest. Additional credit support and purchase price are often not considered in determining a "loss." These overstated losses are based on subjective models that show questions about full collection of underlying mortgage loans many years in the future. Reasoned judgment is needed in order to ensure that financial reporting results in the appropriate level of losses and does not significantly overstate impairment.

Our second concern is that recording OTTI results in permanently recognizing losses in income without the ability to reverse those losses if the amount of OTTI recognized improves (which is not the case with OCI).

We support the FASB's Proposed FASB FSP EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*, which would amend EITF Issue No. 99-20 (*Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*). We urge you to issue the proposal in final form, to be effective for December 31, 2008 financial reporting.

We support the proposal as a first step toward improving the application of OTTI, and we appreciate the FASB's recent decision to examine additional problems relating to OTTI. We agree with the letter from the American Bankers Association to the FASB on the proposal, dated December 28, 2008, which supports the proposal and requests that additional OTTI concerns be addressed for year-end 2008 reporting. OTTI has been controversial for many years, and we believe it would be more meaningful to use a model based on credit impairment rather than on market values. Because of the significance of the problems with the application of OTTI in the current market environment, we believe changes to these practices are critical for year-end 2008 financial reporting.

Thank you for your attention to these matters and for considering our views.

Sincerely,

Brian J. Perry
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