

From: ftilghman@wrsb.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Thursday, September 16, 2010 11:53:05 AM

Frank Tilghman
34 Main Street North
Wells River, VT 05081-0645

September 16, 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 CEO of the Wells River Savings Bank, a state chartered mutual saving bank in Wells River with \$155 million 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.

Our bank does not sell any of our loans. We intend to hold them to maturity, just as we have done since 1833. There is no active market for our consumer or commercial loans, and estimating a market value makes no real sense. Even in the case of mortgages, where there is an established secondary market, most of our portfolio is written to our local standards, not those of the secondary market. In our rural area, many of our borrowers and much of our properties are not eligible for the secondary market.

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. Since we are a mutual savings bank, and have no stockholders or investors, we see the proposal as all cost, no benefit.

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. In the past 10 years, we have adjusted our loan loss methodology several times, alternating among concerns raised by state banking regulators, the FDIC, and our private

accounting firm. While all of the concerns were valid, they each mis-read the salient point: the valuation at its core is an estimate, not an exact number. I am reminded of a comment by Warren Buffet, that is better to be approximately correct than precisely wrong.

I am very concerned that the discussion of reserves forces banks to raise reserves in a low earnings environment and decrease reserves in a higher one. This makes no sense in the real world.

Thank you for considering my comments.

Sincerely,

802-757-2361
Executive Vice President
Wells River Savings Bank

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