

March 30, 2009

Russell G. Golden, Technical Director
Financial Accounting Standards Board- FASB
401 Merritt 7, P. O. Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 164

Via email: director@fasb.org

File Reference: Proposed FSP FAS 115-a, FAS 124-a, EITF 99-20-b

Dear Mr. Golden:

Thank you for the opportunity to comment on your recent release of FSP FAS115-a, FAS124-a, and EITF 99-20-b. I am presently the Chief Financial Officer of First Federal of Bucks County, a small community bank located in Bristol, PA.

This additional guidance on other-than-temporary-impairment, or "OTTI," charges could be an improvement over current rules, but I believe that it falls short on practical application.

First, you require management to continue to make assertions regarding not having the intent to sell a security and that it is more likely than not that it will not have to sell the security before recovery of its cost basis. In these cases, impairment can be separated into two parts related to credit losses and to all other factors. The amount related to credit losses is to be recorded in earnings, or the "performance indicator," and the amount related to all other factors is to be charged to the other comprehensive income, or "OCI," component of equity. What have the management assertions had to do with "fair value" or valuing a security? Additionally, it is often difficult, or even impossible, as it is in today's markets, to separate credit related premiums from all other factors, such as liquidity premiums or lack of dealer support. Your FSP does not provide any practical or workable solutions to separate credit risk from other factors that might satisfy public accountants. Are we to use our "significant judgment" to arrive at this split?

The FSP requires impairment charges on Held-to-Maturity, or "HTM," securities related to all other factors to be taken in the OCI component of equity and then to be amortized through yield and OCI over the remaining life of the security. One would not be permitted to adjust "fair value" of a HTM security for subsequent recovery in "fair value." Why should such a requirement persist? This asymmetric treatment has led to needless reduction of capital, even when a security is expected to perform to its terms. This also highlights an inconsistency in the overall "fair value" logic. The intent of purchasing HTM securities is to realize income over time. Then along comes an OTTI charge to immediately write down the security's value. Then the OTTI writedown amounts are recognized over time creating a new yield, no longer representative of the original purchase and its cash flows. Why is the OTTI charge and the amortization of it required? What useful information does the amortization provide?

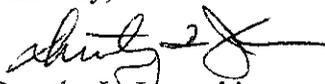
I agree with the premise that credit losses should be recognized when they are realized and apparent. This would better align the treatment of losses on securities with the accounting for loans. I do not agree with the FSP's premise that the credit risk component can be readily discerned from a security's price and identified. Just like liquidity premiums, credit risk premiums can be grossly exaggerated and will vary over time. I don't have to point any further than to ratings provided by the rating agencies, S&P and Moody's, which were seemingly all "AAA" rated two years ago and all "C" rated today. I do not agree with the continued proposal to writedown equity capital through OCI for factors unrelated to credit any more than writedowns through retained earnings via the income statement. The disproportionate treatment of writing down investment securities through capital has exacerbated the financial distress of the markets. There is no reason to continue to attack capital and there is no reason not to permit subsequent recovery of prior OTTI charges if market prices improve. I believe that, if OTTI charges must exist, that prior writedowns should be allowed to be recouped as markets and prices recover, to repair capital that was needlessly decimated during the past year or so. The fact that OTTI and mark-to-market accounting are so negatively one-sided has been a contributor to the financial crisis.

All of the guidance and the new proposals tell me that "fair value" is an ongoing experiment, which is continually being revised. What began as an ideal has quickly led to unintended consequences for our financial markets, banks' capital, and our economy at large. Mark-to-market accounting, or "fair value" accounting, did not cause this crisis, but it certainly has exacerbated the crisis. Billions and billions of government dollars and trillions of Federal Reserve program dollars are now being allocated to this crisis. According to Bloomberg, as of March 24, 2009, \$1.26 trillion of worldwide writedowns have occurred since the beginning of this crisis in 2007, offsetting any capital raised to support the banks, and destroying trillions of dollars in lending capacity. The downward spiral in the markets and the decline in the economy have been exaggerated by more and more writedowns and more and more destruction of capital.

The FASB's proposals are noble and presented quickly in response to an appeal by Congress. But they fall short of providing practical, workable solutions as we all continue to struggle with mark-to-market accounting. I do agree with one of your fundamental tenets, that management should be allowed to use "significant judgment" in valuing and disclosing its balance sheet. As you formulate proposals, I ask that you consider the impact on markets, our economy, and banks' capital. I also ask you to consider the extreme burden being created on large and small institutions alike, both on their resources in preparing financial statements.

Thank you for the consideration of my ideas on this very important subject. If you have any questions, please contact me at 215-788-3344 x 160.

Sincerely,


Dorothy L. Jaworski,
SVP/Chief Financial Officer
118 Mill Street
Bristol, PA 19007