From: <u>richardlarson@wsbonline.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 16, 2010 11:08:17 AM

Richard Larson 11200 W Plank Ct Wauwatosa, WI 53226-3250

September 16, 2010

Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

As CFO of WaterStone Bank, a state savings bank in Wauwatosa, Wisconsin with \$1.9 billion in total assets, I am strongly opposed to the portion of the proposal that requires loans held in portfolio to be reported at fair value on the balance sheet.

Our community bank has a \$1.4 billion loan portfolio which we service and manage from origination through pay-off. We do this in good times and bad and have no history of ever selling loans originated for investment. Even when 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. This portfolio is the basis of our entire business model. Basing our balance sheet on fair values implies that these assets are marketable, are available for sale and will be sold at some future date. This is a misleading implication.

There is no active market for most of our loans, and estimating a market value makes no real sense as it will be overly subjective in nature and will open up new opportunites to manipulate stated asset values. In addition, 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 according to contract terms. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it.

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

Sincerely,

414-459-4010 CFO WaterStone Bank SSB

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