

From: mkinney@windsorfederal.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: Wednesday, September 22, 2010 2:55:17 AM

Mary-Lynn Kinney
250 Broad Street
Windsor, CT 06095-2937

September 21, 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 Senior Vice President and Chief Financial Officer of Windsor Federal Savings and Loan Association, a banking institution in Windsor, Connecticut with \$365 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.

If the goal is to provide clearer and more understandable financial statements, this proposal would not achieve the goal and in fact, I believe will cause more confusion for investors. There is already a fair value footnote provided to investors to provide them with fair value estimates.

While in a perfect world where there was active buying and selling of all components of a financial institutions balance sheet that could be used to accurately determine the current market value of financial instruments (and independently audited) sounds like a good idea, the practical application is not feasible.

We have all seen the subjectivity applied to the ALLL amounts. I can only imagine how investors will be informed as to the methods of determining the market value.

In addition based on our intent to hold the majority of our assets until maturity, providing an on-balance sheet mark to market (assuming we can all agree on market valuations etc on a similar basis - BIG assumption) makes no real sense to me. Only those instruments that are held for sale should reflect the current market pricing.

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.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

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.

III. COMMENTS ON HEDGE ACCOUNTING

I support the change of the requirement that a hedge is "reasonably effective" (as opposed to being "highly effective"). This should make it easier for banks like mine to implement hedge accounting.

It is very important that the term "reasonably effective" be better defined.

The "shortcut" and the "critical terms match" methods should be maintained. This greatly helps medium and smaller banks like mine to reduce the cost of compliance with the hedge accounting rules.

Thank you for considering my comments.

Sincerely,

860 298-6158
Senior Vice President / Chief Financial Officer
Windsor Federal Savings and Loan Association