1810-100 Comment Letter No. 2654

From: <u>dtatarczuk@watertownsavings.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:** Monday, September 27, 2010 4:04:27 PM

Richard Tatarczuk 60 Main St. Watertown, MA 02472-4413

September 27, 2010

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

Dear Mr. Golden:

September 20, 2010

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

Re: File Reference #1810-100

As the Chief Financial Officer of the Watertown Savings Bank, located in Watertown Massachusetts, I am writing to comment on the proposed accounting standards update regarding accounting for financial instruments and specifically my opposition to the provision requiring banks to mark their loan portfolios to market . Watertown Savings Bank is a community Bank with just over \$1 billion in assets. We have built our reputation by providing superior service to our customers at reasonable prices. We are very involved in the communities we serve and expect to continue performing those tasks for many years to come.

## I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires loans to be reported at fair value on our balance sheet. We are a portfolio lender. With very few exceptions we hold and service the loans we make. Many of the loans we make don't conform to secondary market standards. As a result, pricing may be difficult at best and may perhaps not reflect the true value of those loans.

Depending on the movements in interest rates and the economy, marking our loan portfolio to market may have a negative effect on our capital position even though we have no intention of selling our loans and have the intent and ability to hold those loans until maturity. Interest rates will inevitably rise; at which time, the value of the loans we hold for investment will see decreasing market values.

It will likely be a costly endeavor for us as we don't have the resources

or expertise to determine the market value of our loan portfolio. As a result, we would likely have to outsource that function.

A decrease in our capital, even a valuation adjustment within AOCI, for the reduced market value of our loan portfolio, may cause concern among our customers. I have a difficult time seeing any benefit to any party from this requirement. In fact, this new mandate may hurt the general public if banks tighten credit standards to avoid showing loan valuation hits to their capital.

This proposal does nothing to help our customers or the general public.

Sincerely yours,

6179282314 Sr. Vice President, CFO and Treasurer Watertown Savings Bank