

**From:** [skaldas@tsbawake24.com](mailto:skaldas@tsbawake24.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 29, 2010 11:13:21 PM

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Sally Kaldas  
357 Main St.  
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September 29, 2010

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

Dear Mr. Golden:

File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

On behalf of the Board of Directors and the Management team of The Savings Bank, I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities." Although I understand and respect FASB's intention of providing more timely description of an entity's involvement in financial instruments while at the same time it reduce the intricacy in accounting for these instrument. As a Chief Financial Officer and community banker, I have several profound concerns regarding this proposal. As a result, we are unable to support it as proposed. The Savings Bank is a \$400 million mutually owned community bank with eight branches, headquartered in Wakefield Massachusetts. Since 1869, The Savings Bank has been providing financial products, services, and solutions to families and businesses in our communities. Our loan funding needs are met through deposit gathering from our customers.

As Massachusetts Bankers Association mentioned, "community banks (like The Savings Bank) have no place in the recession blame game". Rather, like other community banks, The Savings Bank is part of the solution. We did not offer "sub-prime" loans nor did we offer exotic mortgages, both of which have contributed to the current economic storm. It is important to distinguish between local, community based and community focused banks and the giant Wall Street firms that had a hand in the current financial meltdown. The Savings Bank does not engage in the use of derivative instruments and hedging. Our audited financial statements are used by our board, FDIC, Commonwealth of Massachusetts Division of Banking and Deposit Insurance Fund. I ask you, what value added would this proposal present to the previously mentioned users, NONE.

Concerns Regarding Fair Value

The savings Bank offer both Commercial Real Estate Loans and Commercial

Non Real Estate Loans to small community business. Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case. We have the liquidity, the ability and more importantly the intent to originate and hold to maturity. If 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. In my twenty five years at The Savings Bank, we have never sold a loan because it is a problem. 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. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would mask it. This rule would exacerbate downturn in the economy and result in more inconsistencies in the reporting in the financial instruments. The costs and resources that we will need to comply with this new requirement would be significant for no real added value. This will require us to pay consultants and auditors to estimate market value. For the reasons stated above, The Savings Bank respectfully requests that the fair value section of the exposure draft be dropped.

#### Concerns Regarding Loan Impairment

We support the Board's efforts to revise the methodology to estimate loan loss provisions. I have been in banking for twenty five years, this subject has so many controversies and banks implemented several methods. The bottom line is, we know our customers and we have knowledgeable, experience team to evaluate the risks. For that, I have serious concerns about how such changes can be implemented by banks like mine. It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules. We 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. The current method works well and changing it will result in more confusion to otherwise firm data. We recommend maintaining the current method.

#### Concerns Regarding Hedge Accounting

The Savings Bank Has not engaged in hedging activities in the past. We 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 if desire. We believe it is very important that the term "reasonably effective" be better defined.

Based on the above discussion, we urge the Board to reconsider its position and withdrawal this draft. I will be more than happy to discuss the above matters and concern in more detail. I can be reached at (781) 224-5385 or at skaldas@tsbawake24.com Thank you for considering our comment.

Sincerely,  
Sally kaldas  
Senior Vice President, Chief Financial Officer  
The Savings Bank

Sincerely,

781-224-5385  
SVP, CFO & treasurer  
The Savings Bank