



Letter of Comment No: 9  
File Reference: EITF03-1  
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September 23, 2004

Mr. Lawrence W. Smith  
Director—Technical Application and Implementation Activities  
and EITF Chair  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. EITF Issue 03-1-b

Dear Mr. Smith:

Washington Mutual, Inc. is a financial services company with over \$278 billion in total assets as of June 30, 2004. Based on those total assets, Washington Mutual was the largest savings institution and one of the largest financial institutions in the United States. It also is one of the largest residential mortgage loan originators and mortgage loan servicers in the nation.

We appreciate the opportunity to comment on the Proposed FASB Staff Position No. EITF Issue 03-1-b. We strongly support the proposed delay in the effective date of paragraph 16 of the previous consensus reached on Emerging Issues Task Force Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments."

We believe that paragraph 16, as it is being interpreted in practice, would not meet the spirit behind the notion of *other-than-temporary* impairment. No consideration would be given to the severity or duration of an unrealized loss before an assessment for *other-than-temporary* impairment was required to be performed. Instead, an entity would be required to make an assertion regarding its intent and ability to hold a debt security to recovery even if that security had been purchased only a few days before the end of a reporting period and the amount of loss was within a normal range of price fluctuations for that security. Such an approach would place a costly operational burden on entities and would significantly disrupt the current use of certain securities designated as *available for sale* for asset-liability and other risk mitigation purposes.



We believe that the notion of *other-than-temporary* implies that a certain level of observable evidence exists which indicates that an unrealized loss is not likely to reverse and is probable of being realized in the future. Unless an unrealized loss has existed for a significant period of time (e.g., 12 months) or is severe (e.g., due to an unusually large spike in interest rates), we believe that there generally would be insufficient observable evidence to indicate that a debt security was impaired beyond the foreseeable future.

Prior to the issuance of the consensus in Issue 03-1, sufficient accounting guidance already existed regarding the immediate recognition of impairment for a debt security with an unrealized loss that was expected to be realized (e.g., sold at a loss) and not recovered (e.g., FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, EITF Topic D-44, "Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value," and SEC Staff Accounting Bulletin No. 59, *Accounting for Noncurrent Marketable Equity Securities*).

We believe that the clarifications to paragraph 16 of Issue 03-1 being considered by the Board are absolutely necessary to properly account for *other-than-temporary* impairment for certain types of securities. Consequently, we urge the Board to approve the proposed delay in the effective date of paragraph 16 until the necessary clarifications can be finalized and issued.

If you have any questions about our comments, please contact me at (206) 377-5957 (or [robert.miles@wamu.net](mailto:robert.miles@wamu.net)) or Larry Gee, Deputy Controller, at (206) 377-3684 (or [larry.gee@wamu.net](mailto:larry.gee@wamu.net)).

Very truly yours,

Robert H. Miles  
Senior Vice President and Corporate Controller