



MID-STATES
CORPORATE FEDERAL CREDIT UNION

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April 7, 2006

Letter of Comment No: 57
File Reference: 1250-001

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Technical Director -- File Reference 1250-001
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

Dear Sir or Madam:

Mid-States Corporate Federal Credit Union (Mid-States) appreciates your willingness to consider our comments regarding the Financial Accounting Standards Board (FASB) Exposure Draft, "The Fair Value Option for Financial Assets and Liabilities." For background, Mid-States is a \$5 billion corporate credit union that is owned by and provides services to over 1,000 credit unions throughout the United States. The balance sheet includes a wide array of financial instruments including marketable securities, demand deposits, loans, borrowings, certificates of deposits, mutual funds and derivatives.

In summary, we fully endorse the FASB's goal of eliminating the mixed attribute accounting model that is currently in place. However, we believe that changes in value should be recorded as a component of "Other Comprehensive Income" (OCI) and not recorded through the Income Statement.

Further, the presentation of the cumulative unrealized gains and losses on financial assets, financial liabilities and derivative financial instruments within "Accumulated Other Comprehensive Income" (AOCI) would provide the financial statement user with a clear picture of how equity has either been impaired or enhanced by the portfolio management decisions.

One of the reasons that we endorse recording changes in value through OCI is that all pricing systems contain valuation volatility. Assumptions and pricing methodologies are continually refined and corporate credit unions operate on very thin margins. Small valuation volatilities would create significant changes in net income, even though the economics of the balance sheet have not materially changed. As companies and auditors refine their valuation processes, it is our belief that changes in value should be recorded through OCI with cumulative unrealized gains and losses presented as a component of equity through AOCI.

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In addition to our position discussed above, we also request FASB to further define “Demand Deposits”. Specifically, does this definition include certificates of deposit or savings accounts that have maturity dates exceeding 90 days? This point is especially important for Mid-States as we issue fixed rate certificates of deposit and simultaneously enter into interest rate swaps to hedge changes in fair value of these certificates.

In summary, we believe that this exposure draft has significant merit, especially for large financial institutions that employ hedging strategies and we appreciate the opportunity to express our views. Thank you for your consideration of our comments and please let me know if you have any questions about this letter.

Sincerely,



Todd M. Adams
Chief Financial Officer
Mid-States Corporate Federal Credit Union