CorporateOne

FSPFAS115A

LETTER OF COMMENT NO. 96

March 27, 2009

Via Email: director@fasb.org

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

File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20b

Dear Mr. Golden:

Corporate One Federal Credit Union ("Corporate One") appreciates this opportunity to comment on the proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20b *Recognition and Presentation of Other-Than-Temporary Impairments* (the "Proposed FSP").

Corporate One is a wholesale corporate credit union providing investment, financial and payment products to its approximately 800 member credit unions. Corporate One, as a liquidity provider to the credit union network, manages a balance sheet of approximately $4.4 billion of which over $2.4 billion is invested in marketable securities that are classified as available-for-sale under SFAS No. 115.

Corporate One believes the issues surrounding other-than-temporary impairment are extremely important and as such provided comment letters to both the FASB and the SEC which have consistently supported recording other-than-temporary impairments based on credit losses which is similar to accounting for unsecured loans.

Overall, Corporate One believes this is a much needed change to the current guidance regarding other-than-temporary impairment. When an entity does not have the intent to sell a security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, recognizing only the credit losses through the income statement is a much more accurate representation of the underlying value of the security. Recognizing only credit losses through the income statement improves transparency. In addition, this improvement to the current guidance better aligns the accounting for security impairments with accounting for loan impairments. Consistent accounting treatment of like assets is critical to providing users of financial statements the necessary information needed to make informed decisions. Although we agree with the new guidance, we urge the FASB to allow (but not require) this guidance to be applied retroactively to prior period financial statements.

In 2008, Corporate One determined that two of our available-for-sale mortgage-backed securities were other-than-temporarily impaired. We have the intent and ability to hold both of the securities, but believe that they are other-than-temporarily impaired because it is probable that we will not recover all of the principal on the two securities. Although we estimated that the credit losses will likely be less than 20% of the book value of the securities, the price used to record the other-than-temporary impairment charge was approximately 66 for one security and approximately 37 for the other. Accordingly, our total impairment charge was approximately $5 million for the two securities, while we believe that the credit losses will only ever amount to approximately $2 million. How recording a loss more than two times greater than our estimate of the actual credit losses helps users of our financial statements is something we have yet to figure out. It is even more puzzling to think about future periods in which we will be recognizing these impairment charges back into income as the securities pay down.

One logical question might be to ask how we arrived at the "fair values" of the two securities. We arrived at these prices using the guidance issued by the FASB on October 10, 2008 – FAS 157-3 "Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active". Although the FASB stated that pricing in a dislocated market requires the use of significant judgment, the guidance stressed the use of risk adjustments due to liquidity risks. The example further emphasized the need to incorporate the current dislocated liquidity spreads; hence driving even level three pricing right back to "distressed" pricing versus a price that incorporates what a willing seller would require to sell a security in an active market. Given the proposed guidance in FSP FAS 157-e, we likely would have arrived at significantly higher prices for these two securities, which would have lowered our impairment charges.

Regardless of which pricing methodology is used, the bottom line is we believe that we will only ever incur credit losses on these securities of approximately $2 million. Additionally, if these were loans held on our balance sheet instead of mortgage-backed securities we would have only recorded the $2 million as our impairment charge. Therefore, this proposed guidance which would require recording only the credit loss component in income is a significant improvement over the prior guidance.

As we previously stated, FSP FAS 157-e would have likely resulted in a higher fair value price for our particular other-than-temporarily impaired securities. And although we agree that additional guidance in the area of determining fair value estimates in inactive markets is a critical issue, we do not believe that FASB should issue FSP FAS 157-3 without also issuing FSP FAS 115-a, FAS 124-a and EITF 99-20-b. If the FASB were to do this, we would continue to have different impairment models for like assets which does not provide the consistency that users of financial statements want and need.

1. This proposed FSP would require entities to separate (and present separately on the statement of earnings or "performance indicator") an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component (residual related to other factors). Does this separate presentation provide decision-useful information?

We agree with separating the two components for purposes of only recording the credit component in earnings; however, we are not sure there is decision-useful information in presenting both components on the face of the income statement. Footnote disclosure of the credit/non-credit components may be a more useful and straightforward presentation.

2. This proposed FSP would require that the credit component of the other-than temporary impairment of a debt security be determined by the reporting entity using its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument. One way of estimating that amount would be to consider the measurement methodology described in paragraphs 12–16 of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. For debt securities that are beneficial interests in securitized financial assets within the scope of Issue 99-20, the amount of the total impairment related to credit losses would be determined considering the guidance in paragraph 12(b) of Issue 99-20. Do you believe this guidance is clear and operational? Do you agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income? Under what circumstances should the remaining portion be recognized in earnings?

Corporate One feels the above noted guidance is an acceptable method to use as a measurement methodology. These choices would allow for the most applicable method to be used based on the type of asset under review for impairment.

We agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income.

Corporate One agrees that the impairment to fair value through the income statement should occur if an entity plans to sell a security.

3. This proposed FSP modifies the current indicator that, to avoid considering an impairment to be other than temporary, management must assert that it has both the intent and the ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of the other-than-temporary impairment assessment more operational (the remaining factors discussed in FSP FAS 115-1/FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, would remain unchanged)? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?

Corporate One feels it is appropriate to assert that management does not intend to sell a security and is more likely than not to hold a security to recovery. Although we have not struggled with this aspect to date, we believe this is more operational than the current guidance.

Corporate One does not hold equity securities; however, we fundamentally believe there should not be multiple impairment models.

4. This proposed FSP would require that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized (through other comprehensive income) over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset (that is, an entity would not be permitted to adjust the fair value of a held-to-maturity security for subsequent recoveries in the fair value of the security similar to the accounting for available-for-sale securities). Do you agree with this requirement?

Corporate One agrees with this requirement.

5. Is the proposed effective date of interim and annual periods after March 15, 2009, operational?

Corporate One views retroactive application as critical. Although we are encouraged that FASB is addressing this critical issue now, the FASB should have addressed this issue in 2008. Allowing a retrospective application would be a responsible action by FASB and would have a significant impact to financial reports. Entities should be permitted to adopt this retroactively if they choose. This will be particularly beneficial for entities that have not issued audited financial statements.

I appreciate your attention to this matter and to the points raised in this letter. I welcome a discussion at your convenience. Please feel free to contact me at 614-825-9351.

Sincerely,

Melissa A. Ashley

Melissa Ashley
VP-Chief Financial Officer
Corporate One Federal Credit Union