## **US**AmeriBank



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Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
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Via email: director@fasb.org

File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments

Dear Mr. Golden:

Thank you for the opportunity to comment on the Proposed FSP FAS 115-a, FAS 124-a, and EITF99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments. We appreciate the staff's efforts to address these issues that are misleading to the users of financial statements. Currently the accounting allows for losses on debt securities that are not probable nor reasonably estimable to be recorded as other than temporarily impaired and reflected in earnings as losses. In other words, losses must be recorded, permanently in earnings as OTTI, the market's view of losses, which often have no relationship to losses that are expected to occur. Further, these losses cannot be reversed through earnings, even if the market changes its views about the values or the losses do not materialize.

USAmeriBank has first-hand experience on the challenges surrounding the current accounting rules. In 2007 our Bank purchased an investment in a pooled trust preferred security with no intentions of selling the security. As of December 31, 2008, although the security was fully performing and there were no signs of principal loss due to credit, our Bank nevertheless had to take a \$2.7 million charge to earnings to write down the security as an other-than-temporary impairment. This accounting treatment is very misleading as it would suggest that the Bank will not recover the \$2.7 million dollar loss, when in fact the amount will be recovered when the security pays off, barring any future unforeseen credit deterioration.

As a result, we strongly believe that bifurcating the losses and only recognizing the credit losses through earnings when management does not have the intent or the requirement to sell the security provides a truer economic picture than the current guidance.

However, we also believe that any OTTI for HTM securities should be based on credit losses rather than mark to market losses. Non-credit losses on HTM debt securities should not be a part of OTTI at all. Recording non-credit losses in other comprehensive income for a HTM security, only to accrete that loss back to the security, will confuse users at the time of the impairment as well as over the holding period.

As part of the transition, we recommend the final FSP should apply to securities with OTTI at the effective date to create consistency in the accounting for securities. A one-time entry to the beginning balance of for the cumulative adjustment between retained earnings and other comprehensive income is the most effective and accurate presentation of the change in rules.

As a result of the timing of this FSP, we respectfully request that the effective date be for the second quarter of 2009, in order to ensure the management team has ample time to review the cash flow model according to the new rules and also to discuss it with our external auditors. Applying the rules as of the first quarter will not allow time for an appropriate analysis and review of the entry to be recorded.

Further clarification on the meaning of credit losses versus credit risk would be helpful when implementing the new proposed rules. We support the use of a cash flow methodology similar to that described in SFAS 114. We also believe the discussion should address whether incurred, yet unidentified, impairment should be part of the calculation, as is performed in accordance with SFAS 5.

Finally, we recommend that OTTI impairment not be permanent if the impairment itself is not permanent. This is consistent with the recoveries of losses on impaired loans as calculated in SFAS 114. Excluding recoveries from retained earnings reduces transparency as to the performance of the underlying assets.

We strongly support this proposal and appreciate the consideration of our concerns regarding the current and proposed accounting guidance.

Thank you,

Joe Chillura

Chief Executive Officer

Brad McMurtrey

President