



LETTER OF COMMENT NO. 179

December 30, 2008

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

File Reference: Proposed FSP EITF 99-20-a

Dear Mr. Golden:

MBIA Inc. appreciates the opportunity to comment on the Proposed FSP EITF 99-20-a, Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20, (the "Proposed FSP"). MBIA provides financial guarantee insurance and other forms of credit protection, as well as investment management services to public finance and structured finance issuers, investors and capital markets participants on a global basis.

We encourage the FASB to consider in the event that the determination through the cash flow analysis required by EITF 99-20 results in an adverse development in the future cash flows, whether fair value is the right measure for writing down these securities.

For example, at the beginning of the quarter we buy a CDO bond rated single A at par. By quarter end, the CDO is trading at 50. During our quarter end review, we perform our EITF 99-20 cash flow analysis and determine that the bond will only recover 90 cents on the dollar. At this point we are required to mark the security to the fair value of 50, recognizing a large impairment from a very minor change in cash flows. In today's illiquid market, this is not an uncommon scenario. We believe this large difference identified by the difference in cash flows and market is indicative of a disorderly market, as described in FAS 157, and that the write-down should be to the discounted cash flow amounts. We believe the impairment losses should be measured based on the difference between the asset's carrying amount and the present value of estimated future cash flows using the original effective interest rate. The market price leads investors to recognize the impact of interest rate changes or liquidity which are not relevant to credit impairment for securities intended to be held until recovery or maturity. In an orderly market, the fair value and the discounted cash flow amount should be relatively similar and not result in large differences during normal market periods. It would enhance investor confidence by providing better information on the expected cash flows to be generated by the entity and distinguish between the entity recovering the underlying cash flows as it anticipates, versus experiencing the full decline in fair value due to illiquidity in the today's market.

We encourage the FASB to consider the request that, in the event of an EITF 99-20 impairment triggering event, that the guidance be altered to require a write-down to the reference amount as defined in EITF 99-20, paragraph 12(a). This will prevent the onerous markdowns as currently required. For available-for-sale securities, the balance sheet presentation would still be at fair value, however, only the non-recoverable portion of the impairment would be recognized in income with the remaining portions recognized in other comprehensive income as an unrealized loss expected to be recovered over time. Preparers must consider whether they have the ability and intent to hold to the recoverable value and if it is determined that the holder of the security cannot hold to the recoverable value, then the entire impairment should be to fair value as required by FAS 115.

We propose that paragraph 12(b) be modified as follows:

“Adverse change in estimated cash flows - If the fair value of the beneficial interest has declined below its reference amount, an enterprise should determine whether the decline is other-than-temporary based on the guidance in paragraph 16 of Statement 115. If there has been an other-than-temporary impairment the beneficial interest should be written down to the realizable value as determined by the cash flow analysis ~~fair value~~ with the resulting change being included in income and the holder shall recalculate the amount of accretable yield consistent with paragraph 12(a) of Issue 99-20.”

We note that paragraph 12(a) of EITF 99-20 does not allow for a yield adjustment to the fair value, but rather to the referenced amount as defined in paragraph 12(a) of EITF 99-20. We essentially believe this same guidance should be applied to paragraph 12(b).

In response to your questions:

1. Issue 99-20 applies to beneficial interests that are not of a high credit quality or that can be prepaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investment. Other debt securities (for example, a corporate bond) with similar credit quality are not within the scope of Issue 99-20. The Board decided that similar instruments should be subject to the same impairment model. Do you agree with the Board’s decision? Does the presence of prepayment risk warrant a different impairment model?

Response: We agree that similar instruments should be subject to the same impairment model and that the presence of prepayment risk does not warrant a different impairment model. In light of our comments above, we believe that the FASB should consider that when an investor has the ability and intent to hold to recovery, that the impairment reflect that fact pattern and only the portion which would not be recovered (i.e., credit risk) be reflected in the income statement.

2. The FSP amends Issue 99-20 to align the Issue 99-20 impairment model with the Statement 115 impairment model, resulting in a consistent determination of whether other-than-temporary impairments of available-for-sale or held-to

maturity debt securities have occurred. Statement 115 requires entities to assess whether it is probable that the holder will be unable to collect all amounts due according to the contractual terms. Is the Statement 115 impairment model operational for beneficial interests that were previously within the scope of Issue 99-20?

Response: We believe that the Statement 115 impairment model is operational for beneficial interests that were previously within the scope of Issue 99-20.

3. The Board is proposing that the FSP be effective for interim (including the fourth quarter for an SEC registrant) and annual reporting periods ending after December 15, 2008, applied prospectively. Do you agree with the proposed effective date? Should the Board consider making the FSP effective for periods beginning after December 15, 2008?

Response: While this effective date is challenging for year end businesses, we believe that the importance of these issues warrants unusual actions to resolve them. Therefore, we do support making the FSP effective for periods ending after December 15, 2008, applied prospectively.

Thank you for considering our proposal and for the opportunity to contribute to the standard-setting process. Should you have any questions about our letter, please do not hesitate to contact Kelley Kortman, Vice President of Accounting Policy Group at (914) 765-3263 or Huy Tran, Managing Director of Accounting Policy Group at (914) 765-3557.

Sincerely,

A handwritten signature in black ink, appearing to read 'Huy Tran', with a long horizontal flourish extending to the right.

Huy Tran
Managing Director
Accounting Policy Group
MBIA Inc.