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December 29, 2008

Via email: [director@fasb.org](mailto:director@fasb.org)  
Technical Director  
Financial Accounting Standards Board  
301 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 181

Re: Proposed FSP EITF 99-20-a (*Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*)

Dear Technical Director:

The California Bankers Association (CBA), which is a non-profit organization established in 1891, represents most of the FDIC-insured depository financial institutions in the state of California and writes to express its support of the Financial Accounting Standards Board (FASB) on the important issue of "other than temporary impairment" (OTTI).

CBA and its member banks have expressed concerns in other forums about how banks are required to account for certain impaired assets. Particularly in these difficult times, this is a vitally important issue. During unusual circumstances such as this when the market fails to provide reliable valuation signals, it can be terribly misleading to account for impaired assets based on perceived market values. While recording impairment provides users of financial statements with meaningful information, applying existing OTTI guidance and complying with fair value accounting standards (i.e., FASB 157-3) generally result in overstating impairment.

Losses that are required to be recognized can exceed credit losses, and losses are recorded for instruments that have experienced little or no credit problems and that are performing in accordance with their terms. When earnings and capital are eroded due to a market's perception of losses and that perception is inconsistent with actual performance, then investors and other users of financial statements can be misled. This accounting treatment thus inappropriately drives economic outcomes (such as reducing availability of credit) and does not reflect economic reality.

To this end we support the FASB's Proposed FASB FSP EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*, which would amend EITF Issue No. 99-20 (*Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a*

Technical Director, FASB  
December 29, 2008  
Page 2

*Transferor in Securitized Financial Assets*). We urge FASB to issue the proposal in final form, to be effective for December 31, 2008 financial reporting. CBA has reviewed the letter from the American Bankers Association to the FASB regarding the proposal and agrees with it. We also urge FASB to address additional OTTI concerns for year-end 2008 reporting.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leland Chan', written in a cursive style.

Leland Chan  
General Counsel