

THE ASSOCIATION of
CORPORATE CREDIT UNIONS

December 30, 2008

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 06856-5166



LETTER OF COMMENT NO. 207

File Reference: Proposed FSP EITF 99-20-a

Dear Mr. Golden:

On behalf of its member corporate credit unions, the Association of Corporate Credit Unions (“ACCU”) appreciates the opportunity to comment on the proposed FASB Staff Position EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidelines of EITF 99-20*.

The ACCU is the primary trade association for the nation’s corporate credit unions (Corporates). Corporates provide investment, liquidity, cash management, risk management, settlement, funds transfer, and numerous payment services as well as safekeeping and custody services to the nation’s federal and state chartered retail credit unions. As trusted financial solution and liquidity providers to the credit union system, Corporates maintain high quality assets in the form of loans to member credit unions, marketable debt securities, and other investments. Some Corporates hold portfolios of agency and non-agency residential mortgage-backed securities. While Corporates typically buy and hold marketable securities, they traditionally classify these investments as available-for-sale in order to fulfill their role as liquidity providers to the nation’s retail credit unions. As a result, we are particularly interested in the determination of fair values for these instruments and in an impairment model that addresses securities and loans in a consistent and comparable manner.

The unprecedented market conditions that currently exist highlight the inherent flaws in fair value accounting as a basis for recognizing other-than-temporary impairments (OTTI). The current guidance for securitized loans requires OTTI charges to be recorded based upon exit prices that are currently materially lower than net realizable value. This results in earnings volatility that is not reflective of the true economic impact of the holdings.

The ACCU believes it is imperative for the Board to address the issue of multiple impairment models for year-end 2008 reporting instead of only addressing one of the models. Currently, there are three impairment models (SFAS 114, SFAS 115, and EITF 99-20) which have different triggers and different economic results upon determination of impairment.

We agree that consistency should apply in impairment models, however, the Board's proposal falls short of a comprehensive solution. The focus of any impairment analysis for a debt instrument should be on the probable collection of all contractual principal and interest payments. The existence of prepayment risk does not represent a reason for maintaining different impairment models. Many instruments, such as AAA-rated RMBS are subject to prepayment risk, but they are currently evaluated for impairment under the SFAS 115. Full collection of principal and interest should be the determining factor when evaluating any debt instrument for impairment, provided that the holder possesses the intent and ability to hold the asset to maturity or recovery.

We question why impairment losses on loans under SFAS 114 are recorded differently than impairment losses on debt securities under SFAS 115 when the underlying collateral is the same and when the intent and ability to hold is present in both cases. Structured securities are loans or other receivables that have been grouped in a securitization. The fundamental principles underlying ownership of loans and securities are the same: an up-front investment in exchange for the right to receive defined principal and interest cash flows over time. In both cases, there is some risk that full repayment will not be made. For loans, Statement 114 requires that a reserve be established for amounts deemed uncollectible. But for securitized loans, Statement 115 and EITF 99-20 require impairment to be recorded down to fair value, which currently results in a larger earnings charge due to FAS 157 exit value pricing. Because earnings charges in excess of actual projected losses are recorded on securities, the investor needlessly impairs capital in the near term, only to reverse the excess charges in future accounting periods, thereby misstating financial results for several periods.

In a normal active market, the impairment recognition would not be dissimilar for unsecuritized loans and securitized loans. The current credit market has highlighted that such reliable market prices do not always exist. As such, holders of securitized loans, which have additional credit enhancements and excess spread inherent in the structure, are subject to much harsher valuation requirements and OTTI impairment results. Securitized loans should not be treated differently than unsecuritized loans when the intent and ability to hold securities to recovery or maturity exists.

Statement 115 and EITF 99-20 impairment models for securities should be amended immediately to allow for the write-down of securities determined to be other-than-temporarily impaired to net realizable value. This would make the impairment model for unsecuritized and securitized loans consistent. This change would provide users of financial statements, investors, rating agencies, regulatory bodies and the general public with consistent and comparable views of operating results and financial condition.

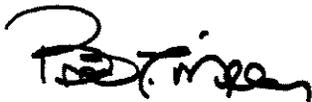
We support the Center for Audit Quality's proposal of recognizing only those impairments that represent probable losses of contractual cash flows (the credit loss component) in current income as this aligns the accounting treatment for unsecuritized and securitized loans. Recording the probable credit impairment on securitized loans would improve transparency and better reflect the economic reality of an institution that has the intent and the ability to hold the securities to recovery or maturity. Further, this change would allow users of financial statements to distinguish between valuations based on fair value recorded on the statement of financial condition and the impact of credit impairments recorded in the income statement. Even though this information can be communicated in management discussion and analysis or disclosure, many financial statement users primarily focus on the statements of financial condition and the income statement for conclusions on the health of an institution. This change would also allow the regulatory capital calculations to be properly impacted by expected losses, not changes based on liquidity premiums in an illiquid market.

Recognizing impairment through the income statement based on fair value, which is currently required for securitized loans, distorts the earnings of the institution in the year the impairment is recorded as well as future years when the impairment is reversed through accretion income. Under all impairment models, there is a responsibility to continue to monitor the performance of the security and determine if any additional impairment is required.

We respectfully request that in your deliberations on EITF 99-20-a, the Board also address the SFAS 115 impairment model and come to one standard whereby the impairment is recorded based on probable credit losses instead of fair value. The write-down to fair value in the current distressed market does not represent the true economic condition of an entity which has no plans to sell securities. We believe that the changes to all of the impairment models should be made for year-end 2008 reporting.

The ACCU appreciates the Board's attention to this matter and the opportunity to comment on these important issues. If you would like to discuss any of the points raised in this letter, please feel free to contact me at (202) 508-6731.

Sincerely,



Executive Director