



**Jamie S. Miller**  
Vice President and Controller

General Electric Company  
3135 Easton Turnpike  
Fairfield, CT 06828  
USA

T 203-373-2444  
F 203-373-3005  
jamie.miller@ge.com

December 31, 2008

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



LETTER OF COMMENT NO. 258

We welcome the opportunity to comment on proposed FSP EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*. We broadly support the goal and overall direction of the proposed FSP and offer our suggestions on how the FSP could be simplified while satisfactorily addressing the underlying issues. In the longer-term project, we support convergence with IASB standards.

The principal issue we see in practice currently with respect to investments within the scope of Issue 99-20, is the circumstance in which the best estimates of future cash flows do not show indications of losses but the estimated fair value of the investment is substantially below its carrying amount. In this circumstance, there is substantial uncertainty about whether the steep decline in fair value indicates that market participants have different assumptions about future cash flows and that an adverse change, as defined in the consensus, has occurred. We believe that, in most cases currently, the source of the fair value declines relates to liquidity not credit conditions and therefore such factors alone should not trigger an impairment charge in earnings.

We support the Board's proposed changes to eliminate references to market participant assumptions in the draft. However, we believe that conforming the impairment model in Issue 99-20 to FAS 115 will shift the debate from whether there has been an adverse change in cash flows to whether or not it is probable that the holder will not be able to collect all amounts due. In the latter scenario, we would expect the current fair value to be a significant issue in the debate over whether the probable threshold has been met. We therefore recommend that the other changes to paragraph 12 not be made. We do think it would be helpful to note that the current fair value of the investment is a factor to consider in the revised Issue 99-20 analysis but is not determinative in assessing whether an adverse change in cash flows has occurred. We also believe that it would be simpler if the Board superseded the EITF Issue in its entirety with the FSP.

In the longer-term project, we would prefer an impairment model for financial assets that follows the principles in IAS 39 *Financial Instruments: Recognition and Measurement*. Impairment is only recognized in IAS39 following objective evidence of the occurrence of a 'loss event'. A loss event is defined as one that has an impact on the estimated future cash flows of a financial asset and it can be reliably estimated. For example, a loss event does not include a decrease in market price unless there is evidence of an associated credit event. We believe a more detailed explanation of impairment as described in IAS39 would enhance discussions surrounding impairment and contribute to greater transparency and understanding of financial reports.

Below are our responses to the specific questions asked in the FSP.

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?*

While we broadly agree that similar instruments should be subject to the same impairment model, we do not see many of the instruments currently included in the scope of Issue 99-20 as similar to FAS 115 investments.

Issue 99-20 provides guidance on interest income recognition and impairment to beneficial interests because the most subordinate beneficial interests in a securitization may not have a stated principal and coupon as corporate bonds. Such beneficial interests cash flows are defined pursuant to a contractual distribution waterfall to which cash collected on the underlying assets is subject. Thus, they may not have the typical contractual cash flows to which the OTTI guidance in paragraph 16 of SFAS 115 could be applied.

Substituting the probable recoverability test contained in paragraph 16 of SFAS 115 for the current Issue 99-20 test is problematic as the contractual terms of the most subordinated beneficial interest tranches give the holder the right to receive only excess cash flows; or said another way, the holder's right is to receive whatever is left over. As the proposed FSP is written, a holder of such a beneficial interest which has experienced adverse cash flows will still collect all amounts due according to the contractual terms of a debt security, but the amount due will be less than previously expected.

Issue 99-20 also sought to provide guidance about how to determine contractual cash flows with market place participant estimate of cash flows (as opposed to management's best estimate of cash flows like SOP 03-3 which came later). The model in Issue 99-20 conceptually makes sense and has proved operational for many years when declines in fair value were primarily the result of interest changes or credit events but not liquidity factors.

We believe that the model in the existing paragraph 12(b) test in Issue 99-20 remains appropriate for the most subordinated beneficial interests in a securitization which typically are not rated and are most exposed to prepayment risk and for which, the concept of contractually due cash flows does not apply in the sense it is applied in paragraph 16 of SFAS115.

As stated earlier, we recommend retaining EITF Issue 99-20 (including paragraphs 12(a) and (b)) and replacing the requirement to use market participant assumptions about cash flows with management's best estimate of those cash flows. As indicated earlier it may be simpler to supersede Issue 99-20 with the FSP since Board is initiating this change.

*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?*

As outlined in our answer to question 1, we have concerns that the impairment model in FAS 115 is not the best model to apply to retained interests.

*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?*

We believe that the FSP should be effective for periods beginning after December 15, 2008, with early application encouraged.

\*\*\*\*\*

Please feel free to contact me at (203) 373-2444 if you have any questions regarding the above comments.

Sincerely,

/s/ Jamie S. Miller  
Jamie S. Miller