FHLBank ATLANTA
A FEDERAL HOME LOAN BANK

December 24, 2008

LETTER OF COMMENT NO. 11

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

File Reference: Proposed FSP EITF 99-20-a

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standard Board's ("FASB") proposed FASB Staff Position No. EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20,* ("proposed FSP"). The Federal Home Loan Bank of Atlanta supports the issuance of the proposed FSP in that it simplifies the current other-than-temporary impairment accounting models. However, we believe the proposed FSP should be revised to clarify certain points regarding other-than-temporary impairment.

Convergence with IFRS

We are supportive of FASB's efforts to eliminate differences between US GAAP and International Financial Reporting Standards ("IFRS"). However, we believe certain refinements to the proposed FSP would further eliminate key differences between the two bodies of accounting literature.

If an impairment of a held-to-maturity security exists, IFRS requires the impairment loss be measured based on the present value of the future cash flows of the security, calculated using the original effective interest rate. However, under US GAAP, the amount of impairment loss is based on the current fair value of the security. These two methods could yield significantly different results, especially in times of inactive and dislocated markets or when there has been a marked change in interest rates.

Measuring the impairment loss based on the present value of the future cash flows would better align the accounting model with the underlying nature of held-to-maturity securities.

Further, IFRS allows for the reversal of other-than-temporary impairment losses while US GAAP does not. We believe the accounting model should be revised to allow for the recovery of other-than-temporary impairment losses of debt securities through the income statement. In addition to eliminating a key difference between US GAAP and IFRS, this would more closely align the other-than-temporary model with fair value accounting principles.

Measurement of an Impairment Loss

The proposed FSP adopts the impairment model in FASB Statement No. 115 which considers an impairment to have occurred "if it is probable that the investor will be unable to collect all amounts due according to the contractual terms of a debt security." Further, paragraph 13 of the proposed FSP states, "estimated cash flows are defined as the user's best estimate of the amount and timing of estimated principal and interest cash flows considering current information and events". For a company that invests in debt securities, especially mortgage-backed securities, the accounting standards essentially require the company to employ a sophisticated cash flow model. We believe that the company's estimated modeled cash flows provide the best indication whether or not an other-than-temporary impairment exists.

Likewise, we believe that these cash flow models should be used to measure the amount of impairment write-off. As discussed above, for held-to-maturity securities, recognizing and measuring the impairment loss based on the cash flows better reflects the economic fair value that will ultimately flow to the investor. If an investor has the ability and intent to hold the security to maturity, operating results should not be subject to the "whims" of illiquid and dislocated markets.

Materiality

The proposed FSP draws on the provisions of paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Instruments*. This provision of FASB Statement No. 115 states, "if it is probable that the investor will be unable to collect all amounts due according to the contractual terms of a debt security not impaired as acquisition, an other-than-temporary impairment shall be considered to have occurred".

The proposed FSP and FASB Statement No. 115 contain the following instructions, "The provisions of this Statement (or FSP) need not be applied to immaterial items." The FASB prominently included this statement at the end of these standards and highlighted this statement by placing a bold box around the statement.

However, in practice, many have ignored the FASB's instructions regarding materiality and have concluded that the concept of materiality should not be applied to the provisions of paragraph 16 of FASB Statement No. 115. Instead, they contend, that even de minimis cash flow short-falls should result in recording other-than-temporary impairment losses. As a result, an insignificant credit loss can result in a grossly disproportionate impairment charge.

We recommend the FASB Staff include specific language stating that the provisions of proposed FSP and the FASB Statement No. 115 related to the determination of an other-than-temporary impairment are subject to materiality considerations.

Effective Date

We agree that the proposed FSP should be effective for interim and annual reporting periods ending after December 15, 2008.

Thank you for the opportunity to comment on the proposed FSP. We appreciate the FASB's efforts to eliminate the inconsistencies in the current other-than-temporary accounting model. If you have any questions or would like to further discuss the comments provided, please do not hesitate to contact me at (404) 888-8522.

Sincerely,

Steven J. Goldstein, PhD
Executive Vice President
Chief Financial Officer