FHLBBoston

January 15, 2009

LETTER OF COMMENT NO. 42

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 FAS 107-a

Dear Mr. Golden:

The twelve Federal Home Loan Banks (the "FHLBanks") appreciate the opportunity to comment on the proposed FASB Staff Position No. FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107* (hereinafter referred to as the "proposed FSP"). We support the Financial Accounting Standards Board's ("FASB") goal of enhancing disclosures to improve the transparency and quality of information provided to users of the financial statements. However, due to significant cost/benefit concerns, as discussed in our responses to certain of the specific questions below, we believe the FASB should focus their efforts on the joint project with the International Accounting Standards Board addressing the complexities related to recognition and measurement of financial instruments, including impairment, rather than issue a final FSP.

Question 1
Do you believe that requiring disclosure of different reporting measurement attributes (that is, as reported in the statement of financial position, at fair value, and at the incurred loss amount) for certain financial assets within the scope of this proposed FSP would (a) improve the quality of information provided to users of financial statements and (b) increase the comparability of financial statements under U.S. generally accepted accounting principles (GAAP) and IFRS? Why or why not?

Response to Question 1
The FHLBanks agree that the disclosure of different reporting attributes (as reported in the statement of financial position, at fair value, and at the incurred loss amount) would provide useful and meaningful information to users if an entity holds debt securities that are other-than-temporarily impaired. For example, if an entity has recognized impairment on a debt security, we believe the incurred loss amount provides useful and meaningful information because it informs users of the actual amount expected to be realized and illustrates the disparity between fair value and actual expected losses. However, we do not believe that this information should be required by GAAP. Currently under GAAP, an entity is not prohibited from including the Statement of Financial Accounting Standards No. 107 ("SFAS 107") disclosures on an interim basis, nor is an entity that believes an incurred loss amount is relevant information prohibited from including this information in its interim or annual financial statements. In fact, many entities have included an incurred loss amount in their financial statements during the past year and have also included this information in management's discussion and analysis in their periodic reports filed with the Securities and Exchange Commission ("SEC").

Based on our understanding of the definition of incurred loss, in order to determine this amount for each financial asset an entity would need to calculate the present value of expected future cash flows using that asset's original effective interest rate. Due to the sheer volume of securities held by the FHLBanks, this is not a task that could be easily undertaken and we question the benefit of providing this information for all financial assets within the scope of the proposed FSP. Such a presentation would in effect dilute the

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disparity between the fair value and the incurred loss amount for those financial assets which are deemed other-than-temporarily impaired and therefore provide less meaningful information. Accordingly, if an incurred loss amount is required to be disclosed in the financial statements, we believe it should be presented only for those financial assets that are deemed other-than-temporarily impaired.

Question 2
Do you agree that the proposed disclosures should not include financial assets measured at fair value in the statement of financial position with changes in fair value recognized through earnings? If not, would you propose including such financial assets within the scope of this proposed FSP? Should financial assets measured at the lower of cost or fair value (such as mortgage loans) be included within the scope of this FSP? Why or why not?

Response to Question 2
The FHLBanks agree that the proposed disclosures should not include financial assets measured at fair value with changes recognized in earnings. Such assets are measured at fair value because it is the most relevant measure based on management's intent as illustrated by either their classification (i.e., trading) or election of the fair value option.

Question 3
Do you believe that requiring disclosures of the pro forma income from continuing operations (before taxes) for financial assets within the scope of this proposed FSP as if those assets were carried (a) at fair value with changes in the fair value recognized through earnings and (b) at the incurred loss amount with changes recognized through earnings would improve financial reporting? Why or why not? Should the disclosure requirements described in the preceding sentence also be required for net income and shareholders' equity? Why or why not?

Response to Question 3
The FHLBanks do not believe that any perceived benefit of providing the proposed disclosures for pro forma income outweighs the costs of preparing and disclosing such information in the financial statements. In order to provide the pro forma information as proposed, entities would need to keep an additional set of books to track the differences and reconcile between the reported GAAP income and pro forma income. For entities that engage in a large number of securities transactions, the tracking of this information will be unduly burdensome and costly while at the same time providing little (if any) benefit to the users of the financial statements. However, if the pro forma disclosures are retained, the Board should clarify how to determine pro forma income for the various instruments within the scope of the proposed FSP. For example, should an entity calculate the incurred loss amount as if fair value had been elected as of the acquisition date of the financial asset or recently elected?

Further, the FHLBanks are concerned that the pro forma information would be misleading to users because it would not reflect an entity's ability to manage the risks faced by that entity (e.g., fair value risk). Additionally, because the scope is limited to certain financial assets, the pro forma information would present an incomplete picture of the effect of fair value on an entity's financial statements. Accordingly, pro forma income from continuing operations should not be required. Further, pro forma net income and shareholders' equity should also not be required.

Question 4
Would including separate reconciliations of reported income from continuing operations (before taxes) to the proposed pro forma adjusted income from continuing operations (before taxes) under both a fair value basis and an incurred loss basis for financial assets within the scope of this proposed FSP be useful? Why or why not?

Response to Question 4
As stated above, we do not believe that pro forma information should be required. Accordingly we do not believe a reconciliation of reported income to pro forma income should be required.

Question 5
Do you believe that the provisions of this proposed FSP should be effective for interim and annual reporting periods ending after December 15, 2008? Why or why not? Do you believe that the disclosures in the proposed FSP should be provided on a comparative basis for subsequent periods after initial application of the proposed FSP? Why or why not?

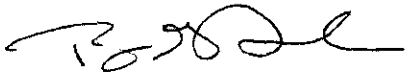
Response to Question 5
The FHLBanks do not believe that the provisions of the proposed FSP should be effective for the interim and annual reporting periods ending after December 15, 2008. We believe that sufficient time is needed to implement new procedures and processes (including internal controls over financial reporting) in order to be able to comply with the proposed FSP. Additionally, we believe that the most useful and meaningful proposed disclosures relate to the most recent statement of condition, which may help users in assessing the impact on future cash flows and earnings. Accordingly, we do not believe that comparative information is necessary.

Question 6
Are all of the disclosures in this proposed FSP operational based on the proposed effective date? Why or why not? Please be specific in your response.

Response to Question 6
The FHLBanks do not believe that the disclosures in the proposed FSP are operational based on the proposed effective date. For example, the information that would be needed to calculate the incurred loss for all debt securities is not currently captured in many of the FHLBanks' securities information systems. As currently proposed, this information would be needed for both December 31, 2008 and 2007 in order to comply with the FSP. In addition to preparing the disclosures, time must be provided for review by executive management, performance of procedures by the external audit firm and approval by the Audit Committee prior to filing with the SEC in accordance with applicable deadlines. Accordingly, we do not believe that it is realistic to expect entities to be able to comply with the proposed FSP by the proposed effective date.

We thank the Board for its consideration of the FHLBanks' views and welcome the opportunity to discuss this matter with the Board and its staff. Please do not hesitate to contact me at (617) 292-9761.

Sincerely,



Brian G. Donahue
First Vice President and Controller
Federal Home Loan Bank of Boston
(On behalf of the 12 Federal Home Loan Banks as Chair of the Controllers' Committee)

cc: Robert H. Herz, Chairman, Financial Accounting Standards Board
Wanda I. DeLeo, Chief Accountant, Federal Housing Finance Agency