

March 2, 2007



LETTER OF COMMENT NO. 9

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Technical Director – File Reference No. 1510-100

National City Corporation appreciates the opportunity to comment on the FASB's exposure draft, *Disclosures about Derivative Instruments and Hedging Activities*. National City Corporation is a financial institution with over \$140 billion of assets. Derivative instruments are a key element of our strategies to manage the interest rate risk of our balance sheet. We utilize a variety of derivative instruments to manage interest rate risk associated with commercial loans retained in portfolio, residential mortgage loans held for sale, mortgage servicing rights, certificates of deposit and short and long-term debt. We also utilize derivative instruments to hedge certain forecasted cash flows and to offset risk associated with derivatives transactions with customers.

We support the FASB's proposal to develop an enhanced disclosure framework for derivative instruments. Financial statement users need better disclosure to understand the risks and uncertainties associated with the use of derivative instruments. Years ago, we decided that our financial statement users needed more disclosure on our use of derivatives. Thus, our current disclosures go beyond what is currently required. In the exposure draft, the FASB requested comments on eleven specific issues related to their proposed disclosure framework. Our comments on these eleven issues follow:

Scope

Issue #1: We concur with the Board's decision to exclude from the scope of this project prescriptive guidance on how derivatives should be presented and classified within the financial statements. Implementing a more comprehensive disclosure framework for derivatives is an important objective on its own. Expanding the scope of the project to address financial statement presentation and classification would significantly delay issuance of a final standard. We believe the proposed disclosures, which will clearly identify where derivative gains and losses are recognized in the financial statements, will mitigate any potential concerns about inconsistencies in the classification among companies.

Issue #2: We concur that the proposed statement should apply to both public and private companies. Derivative instruments pose risks to all entities that utilize them. A consistent disclosure framework should be applied by all companies that use these instruments.

Costs of Implementing the Proposed Statement's Disclosure Requirements

Issue #3: We support the FASB's proposal to present additional information on derivative instruments by primary underlying risk and accounting designation in tabular format. However, we do have some operational concerns with providing the disclosures for open positions separately from closed positions, as well as quantifying recognized gains and losses by income statement caption. We also question whether the cost of preparing the disclosure in this manner will justify the incremental benefits to the users of our financial statements.

First, our systems and processes do not capture gains/losses recognized on closed derivative positions separately from gains/losses recognized on open positions. Thus, we would need to implement system and process changes to separately identify and capture recognized gains and losses on closed positions data. We have a fairly large portfolio of derivatives so this would be a significant undertaking. We are uncertain if segregating gains and losses recognized on open positions from closed positions would provide incremental benefits to our financial statement users. While recognized gains and losses on closed derivatives positions would provide some additional insight into realized losses, this information would not be complete as realized gains and losses also exist on our open positions arising from periodic cash settlements. Accordingly, we would suggest that the disclosure of gains and losses recognized in income be presented on an aggregate basis without segregating between open positions and closed positions, or segregating between derivative assets and derivative liabilities.

Further, we believe the proposed disclosure framework could be made more concise by streamlining the disclosures of gains and losses recognized in income and other comprehensive income. The exposure draft proposes disclosure of the derivative gains and losses on each income statement caption, as well as the effects on other comprehensive income (OCI). We would propose that the net effect on income from the hedge relationship be disclosed, rather than its components. Thus, for derivatives designated in a qualifying SFAS 133 hedge relationship, the net ineffectiveness of these positions would be disclosed. We currently disclose our derivatives gains and losses in this manner and believe it provides information that is just as useful as a disaggregated presentation. Also, we would suggest that preparers be allowed to disclose the the impact of derivatives gains and losses on OCI in other footnotes, with a cross reference in the derivatives footnote to where this information is presented. We currently disclose this data in another footnote which presents OCI activity. Repetition of this information within the derivative footnote would be redundant.

Finally, we believe that alternatives should be permitted for the disclosure of the classification of derivative assets/liabilities, derivative gains/losses and the hedged item's

gain/loss. Our derivative assets, derivative liabilities and net ineffectiveness from derivative positions are presented as separate line items on the face of our financial statements. Therefore, repeating this disclosure in a table within the footnotes would be unnecessary. Also, the proposed disclosure to identify the classification of derivatives, and their associated gains and losses, may be more effectively communicated in narrative form or in a table separate from the quantitative information. We feel that requiring all this information to be presented in a single table may result in information overload for financial statement users.

Issue #4: We support the FASB's proposal to require disclosure of the existence of contingent features in derivatives (such as payment acceleration clauses), the aggregate fair value of derivatives with those features, and the aggregate fair value of assets that would be required to be posted as collateral if these features were triggered. This disclosure would convey useful information on the risks associated with derivative instruments and the potential impacts on a company's cash flows.

Disclosure of Notional Amounts

Issue #5: We concur with the FASB's proposal that the notional amounts of derivative instruments should be disclosed. Notional values convey important information on the magnitude of a company's hedging program. We currently disclose the notional amounts of substantially all of our derivative positions. We would recommend that the FASB clarify whether a notional amount would also be disclosed for commitments to sell or fund mortgage loans held for sale which are deemed to be derivative instruments under SFAS 133.

Issue #6: We agree that disclosure should be made of all derivative gains and losses that existed during the reporting period. This treatment would be consistent with the disclosure framework for other transactions that impact earnings. However, as discussed above, we would recommend that this disclosure be presented on an aggregate basis, rather than separately identified for derivative assets, derivative liabilities and closed positions. We also agree that the disclosure of notional values should only be required for those derivatives that exist at the end of the reporting period. Disclosure of the notional value is irrelevant for derivative positions no longer in existence at the end of the period.

Disclosure of Gains and Losses on Hedged Items

Issue #7: We agree with the FASB's recommendation that no disclosures will be required on the "hedged item" associated with derivatives that are not designated in a qualifying SFAS 133 hedge relationship. We have a portfolio of derivative instruments used to hedge mortgage servicing assets which are not designated in SFAS 133 hedge relationships. Effective January 1, 2007, we elected to measure our mortgage servicing rights at fair value which alleviated the need to designate the related derivative instruments in SFAS 133 hedge relationships. We have described our accounting for mortgage servicing rights and disclose the changes in the fair value of this asset within

other footnotes and MD&A. Accordingly, we feel that disclosing the gains/losses recognized on these assets within the derivative footnote would be redundant.

We also maintain a portfolio of derivatives used to transfer risk on customer derivatives and for other trading purposes. There would be no "hedged item" to disclose on these instruments. We do not feel that our opinion would be changed by the forthcoming standard on the fair value option. Full disclosure will be provided on all assets and liabilities carried at fair value when the fair value measurement standard is adopted.

Further, as discussed above, we believe that disclosure of gains and losses on hedged items is not necessary, as long as the net effect on the income statement is presented.

Disclosure of Overall Risk Profile

Issue #8: We agree that nonderivative instruments used for risk management purposes should not be included within the derivative disclosure tables. We believe commingling derivatives and nonderivatives data would be confusing to financial statement users. A comprehensive discussion of risk management strategies, including the use of nonderivative instruments, fits better within MD&A.

Examples Illustrating Application of This Proposed Statement

Issue #9: We find the illustrative examples provided by the FASB in the exposure draft useful. However, we would encourage the FASB to make clear in the final standard that these examples are not meant to be prescriptive and should be tailored to each registrant's particular risk management objectives and strategies. If this cautionary language is not explicitly stated, it is likely that these examples will be deemed to be the minimum required disclosures.

Amendments Considered but not Made

Issue #10: We believe the FASB should consult with the SEC on what additional disclosures that they would like to see on derivative instruments before reaching a conclusion on additional disclosures. The SEC performed a periodic review of our financial statements last year. As a result of this review, they requested that we expand our derivative disclosures to identify our methods of testing hedge effectiveness for each hedge relationship. They also requested more qualitative information on certain of our hedging strategies. The final standard should incorporate the disclosures that the SEC desires.

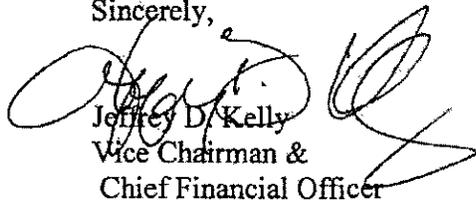
Effective Date

Issue #11: As discussed above, we will need to implement certain system and process changes to disclose hedge gains/losses in the level of detail suggested in the exposure draft. Thus, we would recommend that this standard should be effective for fiscal years ending after December 15, 2008, with early adoption permitted. In this manner,

preparers who need to make system and process changes will have sufficient time to implement these changes.

We appreciate the opportunity to provide our comments on this exposure draft.

Sincerely,



Jeffrey D. Kelly
Vice Chairman &
Chief Financial Officer