RAINIER PACIFIC
BANK

LETTER OF COMMENT NO. 259

LETTER OF COMMENT NO. 298

March 31, 2009

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

via email: director@fasb.org

File Reference: Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b; Proposed FASB Staff Position 157-e

Dear Mr. Golden:

We appreciate the opportunity to comment on the proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments (hereinafter referred to as the proposed OTTI FSP) and the proposed FASB Staff Position 157-e, Determining Whether a Market is not Active and a Transaction is not Distressed (hereinafter referred to as proposed Fair Value FSP).

We generally support the proposed changes and most importantly, we believe that the proposed OTTI FSP should be applied retrospectively, in accordance with SFAS No. 154, Accounting for Changes and Error Corrections. By adopting a retrospective application (or "true-up"), financial institutions that have recorded OTTI charges in prior periods without bifurcating the credit loss portions will ensure consistent go-forward treatment and reporting of key financial metrics, including net interest margin and tangible equity, before and after the application of the OTTI FSP, and also provide investors with enhanced clarity for comparison purposes for the institutions that have recorded significant OTTI charges with those that have not. We have discussed the fair value accounting treatment applied (as of December 31, 2008) regarding certain classes of CDO investments on bank balance sheets with several other bankers, and we find a high level of inconsistent treatment in determining the existence of OTTI and the use of materially different fair values for similar instruments. By allowing for a retrospective "true-up" of the accounting for financial instruments that have already incurred OTTI conditions and fair value treatment, it will enhance the comparability and accuracy of financial statements that is intended by the proposed OTTI FSP.

The management assertion changes in the proposed OTTI FSP are considered appropriate guidance, and it should be emphasized that these are based on management's assertions not regulator's directives. An unintended consequence of the proposal as written might be that the "more likely than not" standard could easily be failed if a regulator directs a bank to reduce classified assets, or specifically directs a bank to liquidate a certain financial instrument not otherwise deemed to be other-than-temporarily impaired. As written, regulators could possibly impose OTTI based solely on their

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discretion to have a bank sell/remove a less than desirable financial instrument with only temporary impairment residing on a bank's balance sheet.

The FASB should also consider providing greater clarity on the methods available to measure the credit loss component. Use of the guidance in paragraph 12(b) of Issue 99-20 has the effect of incorporating highly assumptive and projected levels of credit losses that can be materially different from the actual credit losses determined under a more readily determinable "incurred loss approach". For example, a net present value calculation of a structured CDO, inclusive of elevated levels of assumed projected defaults, can overstate the actual (or incurred) level of credit losses that would be revealed in an evaluation of the underlying collateral as of the reporting date. Provisions for the use of an "incurred loss approach" should be included in the guidance to allow for the measurement of credit losses as of each reporting date to be determined by the actual difference between the face amount of the outstanding balance of all senior positions in a CDO security and the underlying face amount of the performing collateral. This would allow for the matching of the actual credit losses recorded to be done so over the same periods in which the collateral actually defaults, rather than via the use of a highly assumptive 99-20 projected cash flow analysis.

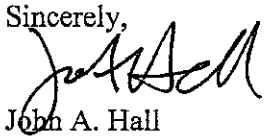
In addition, we suggest that the FASB consider removing the gross presentation in the income statement of impairment losses offset by non-credit impairment from the proposed OTTI FSP. We believe the proposed presentation is inconsistent with the loan accounting presentation for loans held for investment. In addition, we believe that this presentation confuses and complicates the face of the financial statements with information that is more appropriate for inclusion in footnote disclosures.

We also request that the FASB provide more explicit practical guidance on how to implement the proposed Fair Value FSP. While the guidance to determine if a market is not active appears to be sufficient, the proposed Fair Value FSP lacks detailed and practical guidance for determining fair value based on appropriate market-based discount rates as of the measurement date in an orderly market. It may be difficult for independent public accountants and regulators to consistently apply this guidance without additional practical and specific guidance. Furthermore, there will likely emerge an over-reliance on information from broker/dealers that is not reasonably verifiable.

Further, the FASB should provide additional guidance in the proposed Fair Value FSP regarding the definition of a "quoted price." Financial institutions often obtain values for their investment securities from third-party sources, including, but not limited to market transactions, broker quotes, and pricing services. It would be helpful if the FASB specifically defined "quoted price," and how third-party pricing sources, including their use of models, fit into that definition.

Again, thank you for providing financial institutions the opportunity to comment on these vital and timely matters.

Sincerely,



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