

Members United™

CORPORATE FEDERAL CREDIT UNION

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March 25, 2009

Via Email: director@fasb.org



LETTER OF COMMENT NO. 27

Mr. Russell G. Golden
FASB Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5166

File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20b

Dear Mr. Golden:

Members United Corporate Federal Credit Union ("Members United") appreciates this opportunity to comment on the proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20b *Recognition and Presentation of Other-Than-Temporary Impairments* (the "Proposed FSP").

Members United is a wholesale corporate credit union providing investment, financial and payment products to over 2,300 member credit unions. Members United, as a liquidity provider to the credit union network, manages a balance sheet of approximately \$10 billion of which \$6 billion is invested in marketable securities that are classified as available-for-sale under SFAS No. 115.

We believe the Proposed FSP is a significant improvement to clarify the application of current generally accepted accounting principles (GAAP) and aligns accounting for security impairments more closely with accounting for loans. We are in absolute agreement that the focus on credit losses is appropriate as it better reflects the economic reality of a financial institution. Because the current guidance results in earnings charges in excess of actual projected losses, it needlessly reduces capital in the near term, only to reverse in future accounting periods as the securities pay their expected cash flows, thereby misstating financial results for many years. While it is an improvement, we ask you to strongly consider the following comments prior to issuing final guidance.

1. At a minimum, the guidance should allow application to 2008 financial statements since we view the Proposed FSP as simply a clarification of existing rules. All companies should be able to restate, re-audit and re-file — if they choose to do so. It does not make sense to have a materially different outcome for first-quarter 2009 compared with 2008 year-end entries, simply due to a long-overdue accounting clarification.

2. The guidance should also permit reversal of OTTI if market conditions improve. This change would be consistent with international accounting standards and would also be similar to loan loss accounting which allows changes in facts and estimates to be considered. To estimate possible credit losses on mortgage-backed securities the preparer must make many assumptions about the future and the accounting should allow for adjustments. Consider that the credit loss estimate requires assumptions related to home price values, employment trends, default rates, interest rates and prepayment tendencies. The estimate for credit losses change as each of these assumptions evolves over time.
3. The materiality statement should be moved into the body of the statement and not in the box at the end of the Proposed FSP. The FASB Board materials stated that some constituents had recommended consideration of language similar to that included in loan loss accounting, to the effect that “an insignificant delay or insignificant shortfall in amount of payments does not require application of this Statement.” However, the FASB accepted staff’s recommendation to exclude this language without discussion. This would be an important provision to prevent the oft-quoted situation of the Federal Home Loan Bank of Atlanta, in which \$44,000 of expected principal losses had to be booked as an \$87 million OTTI loss in third quarter of 2008.
4. Ideally, FASB should go one step further and allow companies that have already recorded OTTI under the prior interpretation of the rules to reverse the non-credit portion of prior impairments upon adoption. This would allow an institution such as the Federal Home Loan Bank of Atlanta to recover a portion of their OTTI loss recorded in 2008.

The Proposed FSP is a good step forward and we believe that incorporation of the changes presented above would significantly improve the final position.

Thank you in advance for consideration of these changes. If you would like to discuss any of the points we have raised, please feel free to contact me at 630-276-2600.

Sincerely,



Todd M. Adams
Chief Financial Officer

CC: Congressman Barney Frank, Chairman, House Committee on Financial Services
Congressman Paul Kanjorski, Chairman, Subcommittee on Capital Markets, Insurance, and
Government Sponsored Enterprises
Senator Christopher Dodd, Chairman, Senate Committee on Banking, Housing, & Urban Affairs
Richard Shelby, Ranking Member, Senate Committee on Banking, Housing, & Urban Affairs
Brad Miller, Executive Director, Association of Corporate Credit Unions
Joseph Herbst, President and CEO, Members United Corporate FCU