



LETTER OF COMMENT NO.

270

To: Adrian Mills; Diane Inzano; Joseph Vernuccio; Kristofer Anderson; Mark Trench; Meghan Clark; Russell Golden; Vita Martin; Wade Fanning

Subject: FW: Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b

From: Cheryl Neas [mailto:cneas@OpportunityFinance.net]
Sent: Wednesday, April 01, 2009 4:17 PM
To: Director - FASB
Subject: Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b

April 1, 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**

Dear Mr. Golden:

The Financial Accounting Standards Board (FASB) has issued proposals to adjust fair value accounting guidance and the principles that are applied to the presentation of mortgage-backed securities valuation in financial statements. Opportunity Finance Network (OFN) appreciates the opportunity to comment on these proposals.

The opportunity finance industry, including the 170 community development financial institutions that are Members of OFN, is committed to identifying and investing in opportunities to benefit low-income and low-wealth people in the U.S. Our financing delivers both sound financial returns and real changes for people and communities. Conventional financial institutions and government-sponsored enterprises, including the Federal Home Loan Bank System, have been important partners for CDFIs in channeling capital to underserved and low-wealth people and communities. Many CDFIs face shortages of capital to deploy in those communities at a time when demand for their products and services is increasing.

I understand that the application of certain accounting principles requiring financial institutions to recognize non-economic losses on investments that continue to perform and will be held to maturity has had an unnecessarily harmful effect on the availability of funds for affordable housing and small business credit. For example, the application of current other-than-temporary impairment (OTTI) and fair value principles may have resulted in a reduction of more than \$150 million in the FHLBanks' Affordable Housing Program attributable to the non-economic portion of the charges taken. These funds, derived from 10% of the FHLBanks' net income, are a critical source of financing for affordable housing and homeownership. To avoid further diminishing the flow of capital for affordable housing, the OTTI principles must be corrected and clarified with better guidance to, among other things, help reduce the unnecessary reduction of critically needed affordable housing funds and residential

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credit nationally.

Regarding the other-than-temporary impairment of assets, the FASB should revise the proposal to require the non-credit impairment of held-to-maturity investment securities to be recorded in the financial statement footnotes. Although the proposal states that its provisions need not be applied to immaterial items, I encourage you to emphasize this point.

In addition, this guidance should permit retroactive application because a number of institutions recorded significant OTTI charges on debt securities last year and in 2007. Retroactive application would help improve the capital position of many financial institutions increasing the availability of residential mortgage and other important housing- and community development-related credit.

As funding streams diminish and credit tightens, the FHLBanks and other financial institutions must have all the tools they can to support organizations involved in affordable housing and community development. In considering final accounting guidance, I encourage the FASB to adopt guidance that does not unintentionally reduce affordable housing opportunity and negatively impact the local job creation, tax base, and capital leveraging benefits associated with such housing.

Thank you for consideration of these views as the FASB continues working on these important issues.

Sincerely,

Mark Pinsky
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