



National Association of Federal Credit Unions

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October 9, 2008

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



LETTER OF COMMENT NO.

67

RE: Proposed FASB Staff Position 157-d

Dear Mr. Golden:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for comments by the Financial Accounting Standards Board (FASB) regarding Proposed FASB Staff Position 157-d (Proposed FSP). NAFCU membership is comprised of natural person credit unions as well as corporate credit unions. Many of our members either directly or indirectly hold mortgage backed-securities, and have a vested interest in the guidance provided by FASB related to the fair value determination of these and other instruments.

NAFCU commends FASB for its actions regarding the determination of fair value under FAS 157. We believe that the lack of an active market, coupled with FAS 157's definition of fair value as the price of an asset exchanged in an "orderly transaction" (i.e., "a transaction that assumes exposure to the market [and] is not a forced transaction"), requires FASB to provide guidance and flexibility. In this regard, NAFCU believes the Proposed FSP is helpful in understanding FASB's views in fair value determination. Thus, we generally support the adoption of the Proposed FSP. We encourage FASB, however, to consider the following comments in its deliberation on the Proposed FSP.

At the outset, while NAFCU supports flexibility in the determination of fair value, we believe that flexibility in this arena should be balanced with transparency. Thus, we urge that management's assumptions about future cash flows and appropriately adjusted discount rates, as well as statements of management intent and ability to hold securities, both in active and inactive markets, are adequately disclosed.

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The Proposed FSP addresses management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates. The use of management's assumptions is acceptable where relevant observable market data do not exist. We urge FASB to allow further management input by providing flexibility in regard to available-for-sale (AFS) securities. For these securities, where management has demonstrated the intent and ability to hold to recovery, the FSP should allow current severe liquidity risk premiums to be adjusted in the determination of fair value to levels observed during periods of normal market activity. Credit risk premiums should continue to be based on the best available information from market participants (e.g., spread to treasury securities).

Additionally, we believe FASB should address held-to-maturity (HTM) securities. For such securities, the FSP should allow, at a minimum, current severe liquidity risk premiums to be adjusted in the determination of fair value to levels observed during periods of normal market activity. This is of great importance when determining the amount of potential other-than-temporary-impairment charges. Credit risk premiums should continue to be based on the best available information from market participants.

Lastly, FASB should consider amending the definition of fair value for HTM securities to approximate realizable value. This would place investors in HTM debt securities on equal footing with entities that hold loan portfolios for investment. Securitized loans should not be treated differently than unsecuritized loans when the intent to hold to maturity is present in both cases.

NAFCU appreciates this opportunity to share its comments on the proposed rule. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



B. Dan Berger
Senior Vice President of Government Affairs
BDB/tt