

October 9, 2008

Via Email: director@fasb.org



LETTER OF COMMENT NO. 71

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

File Reference: Proposed FSP FAS 157-d

Dear Mr. Golden:

Southwest Corporate Federal Credit Union ("Southwest Corporate") appreciates this opportunity to comment on the proposed FASB Staff Position No. FAS 157-d, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active* (the "Proposed FSP").

Southwest Corporate is a federally chartered corporate credit union whose principal activity is to provide investment, financial and payment products to 1,500 federal and state-chartered natural person credit unions. Southwest Corporate manages a balance sheet of approximately \$11 billion, of which approximately \$5 billion is invested in marketable securities that are classified as available-for-sale. As such, we are particularly interested in the discussions surrounding the determination of fair value for these instruments in today's illiquid market.

The unprecedented market conditions that currently exist highlight the inherent flaws in fair value accounting. Utilizing net realizable value is a more appropriate measurement for debt securities that are held-to-maturity or available-for-sale. Such a change will provide consistency to the different captions on the balance sheet and improve comparability among reporting entities. The recognition of distressed values in financial statements that are based upon fire-sale prices distorts the economic reality of their financial condition in that such prices will not be realized by institutions that buy and hold securities until recovery or maturity. The current guidance requires other-than-temporary impairment charges to be recorded based upon exit prices that are currently materially lower than net realizable value. This results in volatility in earnings that is not reflective of the true economic impact of the holdings.

The valuation and impairment guidance for securities should be similar to the guidance for loans. Currently there is an inconsistency in the valuation and impairment treatment

for securitized loans and unsecuritized loans. The difference in valuing unsecuritized loans and securitized loans was discussed in SFAS 115. At that time, the Board recognized that a principal difference between securities and unsecuritized loans is the relatively greater and easier availability of reliable market prices for securities. The current credit market has highlighted that such reliable market prices do not always exist. As such, holders of securitized loans are subject to much harsher valuation requirements and other-than-temporary impairment results even though the underlying collateral is the same.

Security valuations based upon exit prices are appropriate for financial disclosure. A combination of net realizable value recognition and fair value disclosure provides stakeholders with meaningful information about security holdings from both a credit and liquidity perspective.

There are a number of practical problems with applying fair value accounting. Among these problems are a lack of clear guidance on what constitutes an illiquid and/or distressed market, how to determine fair value in an illiquid and/or distressed market, and how to transition between an active and inactive and/or distressed market. These problems have led to inconsistent applications of fair value. Even the example provided in the exposure draft clearly conflicts with the definition of fair value as it illustrates that a significant liquidity premium is required even in a distressed market. The adoption of the changes I have recommended would address the many problems associated with applying fair value accounting in its present form.

In summary, the Proposed FSP should address the following suggested changes:

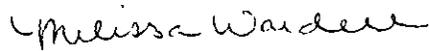
1. For debt securities the Proposed FSP should allow recorded values to be based on net realizable value. In an active market, fair value for securities closely approximates net realizable value.
2. The valuation and other-than-temporary impairment guidance for securities should be similar to the guidance for loans and recorded at net realizable value. Securitized loans should not be treated differently than unsecuritized loans when there exists the intent and ability to hold securities to recovery or maturity.
3. Security fair values should be disclosed in financial statement footnotes rather than recorded within the balance sheet.
4. Absent the adoption of the preceding recommendations, the Proposed FSP should allow the current severe liquidity premiums to be adjusted in the determination of fair value to levels observed during periods of normal activity. The example should be revised to eliminate the liquidity premium in the application of level 3 pricing for securities available-for-sale and held-to maturity.

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These changes, if adopted, result in effectively reflecting fair value under normal (i.e., not illiquid or distressed) market conditions. Such changes also facilitate the elimination of the potentially extreme income volatility associated with recording other-than-temporary impairments at distressed prices. I appreciate your attention to this matter and to the points raised in this comment letter. I welcome a discussion at your convenience. Please feel free to contact me at 214-703-7890.

Sincerely,



Melissa Wardell
SVP-Chief Financial Officer
Southwest Corporate Federal Credit Union