



OHIO CREDIT UNION LEAGUE



LETTER OF COMMENT NO.

307

April 1, 2009



LETTER OF COMMENT NO.

363

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

**RE: Proposed FSP FAS 157-e (Fair Market Valuations)  
Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b (OTTI Amendments)**

Dear Mr. Golden:

On behalf of the Ohio Credit Union League (OCUL), this letter responds to the following Financial Accounting Standards Board (FASB) Staff Position proposals:

- FAS No. 157-e (guidance regarding fair value accounting). This proposal provides additional guidance on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements under FAS 157, Fair Value Measurements.
- FAS No. 115-a, No. 124-a, and EITF 99-20-b (guidance on "Recognition and Presentation of Other-Than-Temporary Impairments" (OTTI)).

The comments reflected in this letter represent the recommendations of the Ohio Credit Union League. The Ohio Credit Union League is a credit union trade association representing the interests of Ohio's 412 federal and state-chartered credit unions and their 2.6 million members.

We appreciate the opportunity to provide suggestions and feedback to the Financial Accounting Standards Board's consideration and drafting of final amendments to its staff positions as proposed.

**FSP FAS 157-e (Fair Market Valuations)**

The OCUL generally supports the proposed FASB Staff Position (FAS), intended to increase the accuracy of fair value measurements. Specifically, FAS 157-e will improve the current FAS No.



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157, Fair Value Measurements, especially during abnormal market conditions as we currently are experiencing.

The proposal of employing a two-step process in determining whether a market is not active and whether a transaction is not considered distressed, is both understandable and clearer in the advice provided. The guidance, as proposed, will address and correct the many mark-to-market standards issues and concerns and will help reflect true valuations of distressed securities. The OCUL believes that current interpretations by the accounting industry of the current FAS 157 (issued in 2006) have led to an unnecessarily restrictive approach in measuring fair value.

The OCUL does not support the proposed effective date of March 15, 2009. We strongly encourage the FASB to consider making the FSP retroactive to financial reporting periods ending December 31, 2008. Congress has expressed valuation concerns of securities since mid-2008. Many credit unions to have already chosen to restate their December 31, 2008 financial statements, so applying the FSP retroactively to this date is only fair and appropriate.

#### **FSP FAS 115-a, FAS 124-a, and EITF 99-20-b (OTTI Amendments)**

The OCUL generally supports the proposed FSPs relating to the “Recognition and Presentation of Other-Than-Temporary Impairments” (OTTI) - other than the proposed effective date.

We strongly encourage the FASB to consider making the FSP retroactive to financial reporting periods including December 31, 2008. We are aware that doing so may cause a substantial number of companies to restate audited financials, but we feel the benefit in doing so will outweigh the associated drawbacks.

We also recognize that the impact of the OTTI amendments, if adopted, would be minimized should the proposed FAS 157-e be adopted due to the all-inclusive change to FAS 157. Adoption of both groups of rules will bring greater clarity to OTTI as a whole. Also, the *proposed guidance, when viewed in its entirety, mitigates the potential distortion of financial results due to OTTI and market value adjustments.*

The proposed changes will add flexibility to determining when OTTI exists. The current requirement of “intent and ability to hold” (meaning that if a security is determined to be OTTI, it must be written down for entire difference between the amortized cost basis and current fair market value), will be expanded. In the proposed FSP, criteria to when OTTI exists will also be dependent on the likelihood of the reporting entity actually holding the security until it recovers and the likelihood of the security fully performing.

The OCUL feels the proposed OTTI amendments will better present the actual financial impact of troubled assets. The proposed language better segregates actual losses at a measurement date for those companies capable of holding assets to maturity from market fluctuations that should minimally, if at all, impact that asset. We also encourage FASB to consider including provisions allowing OTTI to be adjusted if market conditions improve or underlying credit issues are resolved.

Thank you for the opportunity to express our views on the above important proposed FASB positions. If you have questions about our letter, please contact me at 614-336-2894 ext. 232 or [dshoup@ohiocul.org](mailto:dshoup@ohiocul.org).

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Shoup", with a long, sweeping horizontal flourish extending to the right.

David J. Shoup  
Vice President, Regulatory Affairs