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## VIA E-MAIL: jerichter@fasb.org

October 28, 2004

Mr. Lawrence W. Smith Chairman of Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116

Re:

EITF Issue 03-1-a

Dear Mr. Smith:

Empire Corporate Federal Credit Union (Empire) is pleased to provide comments to the Emerging Issues Task Force's (EITF) proposed position to provide guidance for the application of paragraph 16 of EITF Issue 03-1 to debt securities that are impaired because of interest rate and/or sector spread increases. Empire is a wholesale corporate credit union that provides liquidity, item processing, investment and other financial services to over 1,000 member credit unions.

The EITF is seeking comments on the definition of "minor impairment" and the concept of limiting the notion of minor impairments to debt securities evaluated for impairment pursuant to paragraph 16 of Issue 03-1. Empire does not support either proposed position.

Empire does not believe the definition of "minor impairment" should include a quantifiable measure (i.e. using 5 percent or less). In most circumstances, 5 percent or less will likely seem appropriate, and since it provides a firm quantifiable measure, there will most definitely be consistency among auditors and accounting firms alike. However, there will always be cases where an unforeseen event causes unusual fluctuations that a reasonable person would identify as clearly a "minor impairment", even when they exceed the established quantifiable measure. Because of this, Empire believes that the definition of "minor impairment" should be left open for interpretation with the focus being more on the type of supporting documentation that would be required to satisfy an auditor or regulator versus a quantifiable element. Empire believes providing more guidance on the supporting documentation is most appropriate.

Empire does not agree with limiting the notion of minor impairment to only securities covered by paragraph 16 of Issue 03-1. Empire believes that the rationale for limiting the notion (i.e. debt securities that could be prepaid or settled in a manner in which the investor would not substantially recover all of its costs) makes assumptions about behaviors that cannot be predicted. For example, just because a debt security can be prepaid does not mean that it will be prepaid. Limiting the notion to only certain types of securities is an attempt to foresee trends that have not yet been exhibited. Empire believes there should be no stated limitation to the application of minor impairment. Rather, there should be a statement regarding the performance of analysis and review of trends over time such that, if specific history indicates a trend for the company that might imply impairment as a result of losses recognized due to scenarios such as prepayment, then the notion of minor impairment should require appropriate documentation to support. In the absence of evidence to the contrary, the notion of minor impairment should be permitted without restriction.

Empire appreciates the opportunity to comment on this important issue. If you have any questions regarding Empire's comments, please do not hesitate to contact me.

Sincerely,

Christiane G. Hyland SVP, General Counsel

cc: Mike Canning, Executive Director, ACCU

Mike Carter, Regulatory Advocacy Coordinator, NYSCUL

Kimberly Dewey, Associate Director, Regulatory Affairs, NAFCU