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Letter of Comment No: 138
File Reference: EITF03-1A

October 29, 2004

Mr. Lawrence W. Smith
Director-Technical Application and Implementation Activities and EITF Chair
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. EITF Issue 03-1-a

Dear Mr. Smith:

U.S. Bancorp, the sixth largest bank in the United States with over $190 billion in total assets, appreciates the opportunity to comment on the Proposed FASB Staff Position EITF Issue No. 03-1-a (Proposed FSP). We also appreciate the delay of the effective date for application of EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1) and the Board's prompt reconsideration of the guidance provided in EITF 03-1. We have outlined several significant concerns below regarding the Proposed FSP and EITF 03-1 the Board should consider prior to issuing final guidance on these matters:

- Inconsistency with current accounting principles and practices
- Results in rules based accounting principles
- Incompatibility with banking industry risk management practices
- Potential for increased use of non-GAAP measures
- Potential for earnings management
- Does not converge U.S. GAAP with international standards
- Concept of ability and intent to hold securities through a forecasted recovery
- Results in asymmetrical accounting and misleading financial statements
- Marketplace, safety and soundness implications
- Transition and effective date

We also address the Board's specific questions from the Proposed FSP at the end of our discussion.

Inconsistency with current accounting principles and practice

We believe the proposed guidance in EITF 03-1 and the Proposed FSP is not consistent with the accounting principles established for available-for-sale (AFS) securities in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", (FAS 115). Paragraph 82 of FAS 115 states.... "the available-for-sale category will include debt securities that are being held for an unspecified period of time, such as those that the enterprise would consider selling to meet liquidity needs or as part of an enterprise's risk management program." Thus, it is clear from FAS 115 that securities that may be sold for these reasons would be appropriately classified as available-for-sale, if not purchased principally for the purpose of selling in the near term (i.e., trading securities).

As indicated in paragraph 93 of FAS 115, financial institutions consider both their investments in securities and their liabilities in managing interest rate risk. In recognition of this, the Board concluded in paragraph 94 of FAS 115 that unrealized gains and losses on debt and equity securities, that are available-for-sale but not actively managed, should be reported as other comprehensive income. We believe that this was the basis for the concept of available-for-sale securities classification in FAS 115. In other words, the purpose of available-for-sale securities was to give entities the ability to sell securities due to changing market conditions and liquidity needs without "tainting" of the remaining portfolio that might trigger recognition of unrealized losses through earnings.

Based on discussions with practitioners in our industry and representatives from the Big 4 firms, it is apparent that the proposed guidance is not only an amendment to the current rules but will result in a significant change in practice as well. Current accounting practice for AFS securities follows the established principles and is transparent and easy for financial statement users to understand as the securities are recorded at fair value on the balance sheet and fair value changes are recorded in other comprehensive income within stockholder's equity. We do not believe changes are needed to the current accounting model.

The guidance in EITF 03-1 for interest rate and/or sector spread impaired debt AFS securities results in a LOCOM accounting model with impairments recorded through earnings. Subsequent increases in fair value are not recognized. LOCOM accounting is not consistent with Paragraph 27(b) and 89 of FAS 115. In these paragraphs, the Board concluded that the LOCOM method for debt securities held for sale and for non-current marketable equity securities was not evenhanded because it recognized the net diminution in value but not the net appreciation in the value of those securities. The Board concluded that the model developed in FAS 115 was an improvement from prior accounting that incorporated a LOCOM approach for investment securities held for sale.

In addition, the Board recently proposed guidance on accounting for mortgage servicing rights (MSRs) that encourages entities to choose fair value accounting over the currently required LOCOM measurement. We believe it is inconsistent for the Board to move one type of financial asset away from a LOCOM model (MSRs) and move AFS securities, that are impaired due to interest rate and/or sector spread increases, towards a LOCOM model. This will make the accounting for financial assets more complex and confusing for financial statement users.

Results in rules based accounting principles

We believe that the Board should reconsider EITF 03-1 and the Proposed FSP for AFS investment securities that are impaired due to increases in interest rates and/or sector spreads and revert to the more principles based approach provided in SAB 59. The guidance in SAB 59 indicates that there are numerous factors to be considered (e.g., the length of time and the extent to which the market value has been less than cost, the financial condition and near term prospects of the issuer, and the intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value) in an evaluation of impairment the relative significance of each factor will vary from case to case. SAB 59 also indicates that management should consider all available evidence to evaluate the realizable value of its investments in determining if an other-than-temporary impairment exists. The guidance in EITF 03-1 and the Proposed FSP focuses on rules regarding when it is required to make assertions to hold an interest rate impaired security through a recovery and results in interpretations by accounting firms and others as to when sales of previously asserted securities may "taint" that assertion for other securities. The proposed approach does not incorporate the principles based concept of SAB 59 that indicates all available evidence should be reviewed by management. We believe the guidance in SAB 59 is sufficient and consistent with the Board's stated objective to issue principles based accounting standards.

Incompatibility with banking industry risk management strategies

As most financial institutions, we use the investment portfolio as a complex risk and liquidity management tool. AFS securities are a stored liquidity source that can currently be sold to provide liquidity to fund loan growth. During periods when deposit growth exceeds loan growth, banks add to the AFS securities portfolio and when loan growth accelerates banks sell AFS securities to fund loan growth. This is a function of liquidity and the need to address changing risks that occur as the balance sheet changes. The proposed guidance will encourage banks to hold more securities in held-to-maturity, which will limit banks' ability to fund new loan growth with securities. This disincentive to hold AFS securities will cause banks to less effectively optimize the use of their capital, which will lead to lower performance and more risk to banks' performance.

Financial institutions also use high quality mortgage-backed securities and other types of securities as a tool to efficiently manage the valuation risk of the balance sheet without taking significant credit risk. Banks adjust the duration of equity by making changes to the character of the investment portfolio. Banks change the mix of fixed and floating rate AFS securities as well as the tenor of investments as a means of managing the overall interest rate risk profile of the bank's assets and liabilities including core deposits. The AFS securities portfolio is the major balance sheet category available to banks to use as a balance sheet risk management tool. To explain further, financial institutions' balance sheets are composed of a customer-driven and a discretionary balance sheet where the discretionary balance sheet serves as an interest rate risk management tool for the customer-driven balance sheet. The investment portfolio is the major component of the balance sheet available to financial institutions to manage valuation risk and the proposed accounting treatment results in earnings volatility that will limit the ability of banks to hold large AFS securities portfolios needed to manage risk. Limiting this ability will lead banks to less efficient uses of the investment portfolio and will ultimately lead to higher interest rate risk profiles for financial institutions.

Potential for increased use of non-GAAP measures

The accounting guidance in EITF 03-1 and the Proposed FSP reduces transparency of financial statements; therefore, we will need to provide non-GAAP measures to investment analysts and other financial statement users to clarify and to enable comparisons among financial institutions. As an example, assume Bank A and Bank B purchase similar AAA rated U.S. Government Agency MBS securities with the same duration and fixed interest rate. Bank A purchases its bond when interest rates are low and Bank B purchases its bond when interest rates are higher. Bank A's financial statements will reflect a lower yield than

Bank B since Bank A purchased the bond when interest rates were lower and paid a premium for the bond that is amortized to earnings over the life of the bond. If interest rates rise, Bank A will record an impairment (assume it is more than minor) that will decrease earnings in the current period. Bank B's bond is not impaired. Prospectively, Bank A will accrete the impairment discount to interest income as it still expects to collect all amounts due. The result of the application of EITF 03-1 is Bank A's prospective interest rate margin is higher than Bank B when Bank A paid more for the bond during the lower interest rate environment. We are concerned that companies may encourage investment analysts to "back out" impairment charges due to EITF 03-1, but will not focus on the prospective increase to interest income potentially distorting an entity's true economic performance. When there has been considerable effort recently by the SEC to decrease the reporting of non-GAAP measures, the proposed guidance will potentially make the use of non-GAAP measures necessary in order to provide information that actually reflects the economic results of an entity's performance to financial statement users.

Potential for earnings management

The LOCOM accounting model proposed for interest rate and/or sector spread impaired securities may encourage entities that have ample earnings in one period or a forecasted decrease in net interest margin to sell a small number of impaired securities in order to "taint" the remaining available-for-sale securities triggering a "big bath" in order to increase future interest income (i.e., Day 2 accounting). This would improve the future earnings performance of the entity without making any changes to the entity's economic risk. Currently, when financial institutions sell an available-for-sale security, because it needs to change its risk profile the cash from the sale is invested in another financial asset that results in a real economic change to the entity.

Does not converge U.S. GAAP with international standards

EITF 03-1 and the Proposed FSP are significant changes to existing accounting principles established in FAS 115 and Staff Accounting Bulletin No. 59, "Accounting for Noncurrent Marketable Equity Securities," (SAB 59) that do not lead to convergence of U.S. GAAP and international accounting standards. International Accounting Standard No. 39, "Financial Instruments: Recognition and Measurement" (IAS 39) uses an objective evidence model that a loss event(s) has occurred and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated to determine impairment. We do not believe that changes of the magnitude proposed should be made unless there is significant improvement to U.S. GAAP or a convergence between U.S. GAAP and international accounting standards.

Concept of ability and intent to hold through a forecasted recovery

We do not believe accounting rules proposed under EITF 03-1 that will create restrictions on AFS securities sales to avoid "tainting" are consistent with paragraph 82 of FAS 115 that states...."the available-for-sale category will include debt securities that are being held for an unspecified period time, such as those that the enterprise would consider selling to meet liquidity needs or as part of an enterprise's risk management program." We believe the Board contemplated that investment securities classified as available-for-sale would be occasionally impaired due to increases in interest rates and/or sector spreads when deliberating FAS 115 and fully intended for sales of interest rate impaired available-for-sale securities to be allowed for risk management purposes and liquidity needs without "tainting" other interest rate impaired AFS securities.

The "tainting" concept that evolves from EITF 03-1 and the Proposed FSP and its use to validate or support an entity's ability and intent to hold an available-for-sale security through a forecasted recovery is a significant concern to practitioners. To forecast a potential recovery of an interest rate and/or sector spread impairment requires projecting the direction and timing of interest rate changes, and is akin to fortune telling, as interest rates often do not change with the same severity or even in the same direction as the forward yield curve indicates. As described earlier, banks use complex asset liability management models that project many different assumptions under many different interest rate scenarios with the objective to minimize interest rate sensitivity under as many of the scenarios as possible. There is no real ability to predict increases or decreases in interest rates or the severity of the changes. This is why banks need flexibility to adjust their risk profiles through available-for-sale actions regardless of expectations. Applying the proposed guidance and making assertions about the direction and extent of interest rate changes with any expectation for accuracy is not practical.

Results in asymmetrical and misleading financial statements

The issuance of EITF 03-1 and the Proposed FSP potentially cause significant issues for the banking industry in the capital markets as the increase in earnings volatility from recording interest rate and/or sector spread impairments on a LOCOM basis is not reflective of the way these entities manage their risk. As indicated in paragraph 93 of FAS 115, financial institutions consider both their investments in securities and their liabilities in managing interest rate risk. In recognition of this, the Board concluded in paragraph 94 of FAS 115 that unrealized gains and losses on debt and equity securities, that are available-for-sale but not actively managed, should be reported outside of earnings. We believe that this was the basis for the concept of available-for-sale securities classification in FAS 115. In other words, the purpose of available-for-sale securities was to give entities the ability to sell securities due to changing market conditions and liquidity needs without "tainting" the portfolio and requiring the remainder of the portfolio to be marked to-market through earnings.

EITF 03-1 and the Proposed FSP result in asymmetrical accounting for high quality investments, and potentially causes volatility in earnings that would translate into stock price volatility and put financial institutions at a competitive disadvantage in the capital markets causing higher overall cost of capital. Additionally, the banking regulators provide capital relief for unrealized gains and losses recorded in other comprehensive income because they recognize that capital volatility from unrealized securities gains and losses could raise unfounded safety and soundness issues for financial institutions. The potential for recognition of interest rate impairments on AFS securities through earnings may pose difficult issues for the banking regulators to address.

Marketplace and safety and soundness implications

- The proposed guidance provides an incentive for community banks to eliminate sound risk management programs by promoting a practice of classifying debt securities as held-to-maturity to avoid the accounting issues associated with EITF 03-1 or to possibly enter into derivative transactions to manage risk without the necessary expertise. It may also encourage larger banks to classify a larger portion of their investment portfolios as held-to-maturity where unrealized gains and losses are less transparent since they are not recorded at fair value on the balance sheet.

- The proposed guidance also provides a motivation for banks to purchase investments with shorter durations that are less sensitive to interest rate changes. Since the financial service industry is a major investor in mortgage-backed and asset-backed securities, this would have a negative impact on the liquidity and price of these longer duration securities and ultimately may impact the interest rates that consumers pay to borrow funds. Shorter duration investments generally have lower yields that would result in lower profitability to the entity, which is not in the best interest of shareholders.

- Large impairment charges to earnings would lead to earnings volatility that would increase an entity's cost of capital and disadvantage entities with large available-for-sale portfolios.

- Impairments of U.S. government and U.S. government agency securities due to increases in interest rates by entities that follow U.S. GAAP sends a message to the global marketplace that U.S. backed securities are not credit worthy which may have implications that are not understood at this time.

- Financial institutions that reduce the duration of their investment securities portfolio as result of the proposed accounting will hold longer duration assets outside of the investment portfolio (e.g., mortgage loans). This decrease in the amount of securities held reduces securities available for pledging as collateral for government deposits an important funding source. This will potentially force state and local governments to find other investment vehicles.

- Securities purchased with significant premiums would be impaired at the time of purchase and would be written down immediately through earnings under paragraph 10 to 15 of EITF 03-01, causing a disincentive to purchase these securities that in turn, would depress the market for these securities.

Transition and Effective Date

The effective date for the Proposed FSP is the last reporting date for reporting periods ending after the final FSP is posted to the FASB website, which if the guidance is posted in the 4th quarter of 2004 as expected, would be December 31, 2004 for calendar year companies. This immediately effective date is not feasible. Financial institutions will need to overhaul their entire risk management process, enhance current accounting systems used for investment securities that do not have the functionality required to accrete the other-than-temporary impairment, and keep track of the purchase discount or premium for tax purposes. Processes will also need to be developed to support the ability and intent to hold securities that are interest rate and/or sector spread impaired.

Currently, entities are focused on Sarbanes-Oxley testing, and it is unreasonable to expect entities to be able to adopt this new complex guidance in the timeframe provided and complete the other new requirements for 4th quarter 2004. We believe a minimum of one year, from the date final guidance is posted on the FASB website, will be required for implementation unless significant changes are made to EITF 03-1 and the Proposed FSP. In addition, reclassifications between AFS and held-to-maturity or trading should be included as part of the transition provisions of the final standard due to the impact this new rule will have on financial institutions' risk management processes.

FSP EITF 03-1 Request for Comments:

Understanding that the Board may choose to move forward with EITF 03-1 and the Proposed FSP irrespective of the issues raised above, we believe the following should be considered. Our responses to the Board's specific Request for Comments are as follows:

Minor Impairments

Issue 1: The Board considered defining *minor impairment* as impairment of 5 percent or less. Some Board members believe that minor impairments can be considered temporary without further analysis because normal interest rate and/or sector spread volatility is expected to eliminate a minor impairment. Some Board members disagree with defining minor impairment as an impairment of 5 percent or less because that definition embodies assumptions about the volatility of the applicable interest rate. Others prefer that the guidance not provide a "bright-line" test. For these reasons, the Board generally supported the notion that minor impairments can be considered temporary and did not support including either additional guidance or a numerical threshold to be used in determining whether an impairment is minor. Do you believe that financial statement preparers and auditors will be able to apply the notion of "minor impairment" without any additional guidance from the FASB? If not, do you believe that the Board should specify a numerical rule or threshold and, if so, what would that rule or threshold be?

Response: If the Board moves forward with the Proposed FSP, we agree that practitioners should be able to consider a certain level of impairment as temporary without further analysis because normal interest rate and/or sector spread volatility is expected to eliminate these minor impairments. However, we do not believe that a "bright-line" test should be applied, but rather the facts and circumstances impacting a particular entity should be considered. In particular, we do not believe that a 5 percent threshold is a good indicator for minor impairment. In mid 2003, interest rates increased 100 basis points and decreased 100 basis points within a four-month period. This resulted in impairment of over 5 percent of cost that was recovered just four months later. During the past 10 years, there have been numerous upward rate cycles of varying degrees where interest rates declined to previous levels within 12 months and a few other times where interest rates decreased by as much as 225 basis points in a relatively short period of time. If the Board decides to specify a numerical rule or threshold, we believe it should consider a threshold larger than 5 percent of cost and it must incorporate duration of the investment as opposed to a simple percentage of cost. Management should have the ability to evaluate the potential volatility in rates for broad categories of securities for purposes of evaluating other than temporary impairment. In conclusion, we support an approach that allows management to develop general policy guidelines for evaluating other-than-temporary impairment based on facts and circumstances relevant to their portfolio and review of the volatility of broad classes of securities.

Limiting the Notion of Minor Impairment to Paragraph 16 Securities

Issue 2: The Board generally believes that it is appropriate to limit the notion of "minor impairments" that would not create the need for an ability and intent assertion to debt securities analyzed for impairment under paragraph 16 that are impaired because of interest rate and/or spread increases, since, absent a sale prior to recovery or maturity, such impairments will be recovered. Because the same cannot be said for debt securities that can be contractually prepaid or otherwise settled in such a way that the investor would not recover substantially all of its cost and equity securities, the Board generally does not support extending the exclusion to investments analyzed for impairment under paragraph 10-15 of Issue 03-1. However, some Board members support expanding the notion of "minor impairments" to all investments analyzed under Issue 03-1 because they acknowledge that normal price volatility may eliminate an impairment. Do you support the Board's conclusion to limit the notion of "minor impairments" to debt securities analyzed for impairment under paragraph 16 that are impaired because of interest rate and/or sector spread increases? If not, why?

Response: If the Board moves forward with the guidance in the Proposed FSP, we do not support the Board's conclusion to limit the notion of "minor impairments" to debt securities analyzed for impairment under paragraph 16. We believe that the notion of "minor impairment" for increases in interest rate and/or sector spread should be expanded to all securities assessed under EITF 03-1, because normal price volatility may eliminate such impairments regardless of whether the investment is assessed under paragraph 10-15 or 16 of EITF 03-1.

FSP EITF 03-1-a:

Question 1: At what unit of account should an investor assert its ability and intent to hold to a forecasted recovery?

Response: We agree that an investor should make assertions at the individual security level, as this is consistent with the approach in FAS 115 and SAB 59. However, we also believe that management can and should be able to make this assertion without creating an impossible documentation burden by evaluating securities of similar characteristics and providing that assertion for all individual securities or subsets of securities within those pools. Under this practical approach, a change in management's intention to hold a certain security due to changing market conditions and subsequent risk management actions should not "taint" all securities within the scope of the pool of securities for which the original assertion was made. We believe the concept of "tainting" other securities available-for-sale is inconsistent with the accounting principles established in FAS 115.

Question 2: Although Issue 03-1 states that an investment is impaired if the fair value of the investment is less than its cost, paragraph 16 does not refer to the severity of the impairment. Is there a level of impairment that can be considered temporary that would not create the need for an assertion about the ability and intent to hold an investment until a forecasted recovery?

Response: We agree that for purposes of apply paragraph 16, a minor impairment caused by interest rate and/or sector spread increases can be considered temporary and would not create the need for an assertion about the ability and intent to hold an investment until a forecasted recovery. Please refer to our response above to the Board's Request for Comments on minor impairments and comments regarding issues related to the ability and intent to hold a security through a forecasted recovery.

Question 3(a): If an interest-rate-impaired and/or sector-spread-impaired security for which the investor previously had asserted its ability and intent to hold to a forecasted recovery is expected to be sold prior to recovery, when is the impairment considered other than temporary?

Response: We agree that impairments should be considered other-than-temporary when an investor's assertion to hold an investment to a forecasted recovery changes (which can happen before an investment is sold). However, we do not believe that sales of certain available-for-sale securities (i.e., those sold for the reasons stated in paragraph 9 of FAS 115 when the securities are impaired due to increases in interest rates and/or sector spreads) should necessarily call into question an entity's intent to hold other available-for-sale securities through a forecasted recovery. We believe that this tainting concept is inconsistent with the accounting principles in FAS 115 for available-for-sale securities.

Question 3(b): If an interest-rate-impaired and/or sector-spread-impaired security for which the investor previously had asserted its ability and intent to hold to a forecasted recovery is expected to be sold prior to recovery, are there circumstances for such a change in ability or intent that would not necessarily call into question the investor's ability or intent to hold other securities to recovery?

Response: We strongly agree that there should be circumstances for sales of debt securities that are impaired because of interest rate and/or sector spread increases where a change of intent would not call into question the investor's ability or intent to hold other securities to recovery. In fact, we believe that is the premise behind the concept of the available-for-sale classification for investment securities in paragraph 9 and 82 of FAS 115 and the concept of "positive intent" to hold securities is against the principles behind the classification of available-for-sale.

We believe that sales that fall under the circumstances described in paragraph 7 of the Proposed FSP will be interpreted to be rare by the Big 4 accounting firms. One interpretation provided to us of an "unexpected" and "significant" sale where the investor had made a positive assertion to hold an interest rate impaired security through a forecasted recovery would not include sales made for normal changes in liquidity needs or risk management changes. Since interest rates can change at any time in the marketplace, how would financial institutions that are essentially in the business of managing interest rate risk ever meet the "unexpected" test. It is our understanding that the guidance in paragraph 7 of the Proposed FSP was meant to give entities the flexibility to sell interest rate impaired securities without tainting remaining available-for-sale securities. We believe the terms "unexpected" and "significant" are very problematic and either require clarification or after consideration of the potential negative consequences should be removed from paragraph 7 of the Proposed FSP to provide an interpretation that is consistent with FAS 115 and to allow banks to sell AFS securities for normal risk management and changes in liquidity needs.

Under the guidance in paragraph 7 of the Proposed FSP, if entities sell securities that are interest rate and/or sector spread impaired for the reasons stated in paragraph 9 of FAS 115, then the entity may call into question its intent to hold other available-for-sale securities until a forecasted recovery and be required to record all losses in the available-for-sale portfolio that are not "minor" through earnings without recording any offsetting asset gains or related liability gains. The volatility in earnings that could result from this proposed guidance misrepresents the overall impact of a change in economic events, such as an increase in interest rates and/or sector spread, on the entity's financial statements.

Conclusion

We believe that EITF 03-1 and the Proposed FSP do not improve financial reporting over current practice, and in fact they create more complexity, promote bad risk management practices, result in asymmetrical accounting and potentially reduce transparency of the financial statements. In addition, the proposed guidance is not consistent with FAS 115 or the impairment objectives in SAB 59. We believe the impairment model in EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets" combined with SAB 59 are sufficient to address other-than-temporary impairment for all types of securities that are interest rate and/or sector spread impaired. Nor do we believe financial statements users such as investment analysts and individual investors, are requesting a change to the accounting for available-for-sale investment securities.

In conclusion, we are not supportive of paragraph 16 of EITF 03-1 and the Proposed FSP, as we believe this guidance is an amendment of current accounting principles, is primarily rules based, results in asymmetrical accounting, and will potentially create volatility in earnings that would translate into stock price volatility, and put financial institutions at a competitive disadvantage in the capital markets. We strongly encourage the Board to consider the issues we addressed above as well as other constituents' concerns, including the bank regulators, before finalizing the guidance in FSP EITF 03-1-a.

However, if the Board decides to finalize the guidance in EITF 03-1 and the Proposed FSP we believe a reasonable approach would be to use the impairment model described in paragraphs 11 –15 of EITF 03-1 to cover investments that are in the scope of both paragraph 10 and 16 of EITF 03-1. This approach is more consistent with the guidance in SAB 59, than the proposed FSP, and would eliminate the need for a separate impairment recognition model for investments in the scope of paragraph 16 of EITF 03-1. In addition, we believe that the final guidance should not incorporate bright-line tests. There are many reasonable techniques for determining minor impairment and management should be able to select a reasonable method that fits the entity's individual facts and circumstances. Any required assertions to hold interest rate and/or sector spread impaired AFS securities through a forecasted recovery should be allowed using broad classifications of securities, as it is operationally impossible for large entities to make this assertion at the individual security level.

Thank you for your time and consideration with respect to our views on this matter. Please contact me at (612) 303-4352 with questions or if you need additional information.

Sincerely,

Terrance R. Dolan
Executive Vice President and Controller