SOUTHEAST CORPORATE

March 26, 2009

Via email: director@fasb.org

Mr. Russell G. Golden
FASB Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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FSPFAS115A

LETTER OF COMMENT NO. 122

File Reference: Proposed FSP FAS 115-a, 124-a, and EITF 99-20-b

Dear Mr. Golden,

Southeast Corporate Federal Credit Union (Southeast) extends its appreciation to the FASB for its efforts to provide further guidance to current GAAP for other-than-temporary-impairments via the proposed FASB Staff Position FAS 115-a, FAS 124-a, and EITF 99-20-b: *Recognition and Presentation of Other-Than-Temporary Impairments*. Southeast welcomes the opportunity to comment on the proposed FSP.

As a wholesale corporate credit union, Southeast holds significant assets classified as available-for-sale and the economic changes over the past year have affected it considerably, as the rest of the industry. Comments to the Board's specific questions follow:

Question 1: This proposed FSP would require entities to separate (and present separately on the statement of earnings or "performance indicator") an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component (residual related to other factors). Does this separate presentation provide decision-useful information?

Southeast believes that the separation of credit and noncredit components of an impairment adjustment will provide useful information. The separate presentation allows investors to determine the real expected loss. An entity, if able, would exercise prudent judgment by holding securities where the noncredit component is deemed to be recoverable.

Question 2: This proposed FSP would require that the credit component of the other-than-temporary impairment of a debt security be determined by the reporting entity using its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument. One way of estimating that amount would be to consider the measurement methodology described in paragraphs 12–16 of FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan. For debt securities that are beneficial interests in securitized financial assets within the

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scope of Issue 99-20, the amount of the total impairment related to credit losses would be determined considering the guidance in paragraph 12(b) of Issue 99-20. Do you believe this guidance is clear and operational? Do you agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income? Under what circumstances should the remaining portion be recognized in earnings?

Southeast believes the guidance referenced for measurement of OTTI adjustments is operational.

Recognition of the credit component of an OTTI adjustment in income and the remaining OTTI adjustment in other comprehensive income also seems reasonable. However, Southeast asserts that treatment of OTTI adjustments should mirror that of loan loss reserves with prospective adjustments allowed on an ongoing basis. Similar to other accounting changes in estimates, this would treat the OTTI model assumptions in a consistent manner. Because market forces are constantly working, at best models used to arrive at fair value for OTTI measurements should be viewed as a best estimate at the measurement date. Future information, including significant changes in the action of the markets, could potentially change the model assumptions and, consequently, the ending OTTI adjustment. It seems less reliable to dismiss future changes in OTTI measurements and not adjust for recoveries as originally recorded.

Recognition of the noncredit portion of an OTTI adjustment into earnings should only occur when the entity intends to sell or it becomes apparent that the entity does not have the ability to hold the instrument through recovery.

Question 3: This proposed FSP modifies the current indicator that, to avoid considering an impairment to be other than temporary, management must assert that it has both the intent and the ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of the other-than-temporary impairment assessment more operational (the remaining factors discussed in FSP FAS 115-1/FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, *would remain unchanged)? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?*

The modification in the intent and ability indicator is appropriate and should apply to both debt and equity securities. The change will result in a significant change to the assessment of an OTTI adjustment. Examining securities based on intent and ability to hold until recovery will enable OTTI evaluation based on true economic intent for these assets. This will eliminate adjustments previously required based on market dislocation and the resulting distressed sales.

Question 4: This proposed FSP would require that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized (through other comprehensive *income) over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset (that is, an entity would not be permitted to adjust the fair value of a held-to-maturity security for subsequent recoveries in the fair value of the security similar to the accounting for available-for-sale securities). Do you agree with this requirement?*

Accounting for OTTI impairments for both types of securities should be comparable. However, Southeast asserts that an entity should recognize subsequent recoveries in the determination of fair value for both held-to-maturity and available-for-sale securities.

Question 5: Is the proposed effective date of interim and annual periods after March 15, 2009, operational?

It is Southeast's assertion that to maintain the primary characteristics of financial statements that the FASB upholds application of the FSP should be retrospective. Without retrospective application of new OTTI guidance to reporting periods ending in 2008, the comparability and consistency of financial statements will be diminished. The proposed guidance significantly alters the way OTTI adjustments are contemplated and recorded, which will result in inconsistency in reporting. To ensure relevance and reliability, we feel it is most appropriate to value assets in the same manner for all presented reporting periods.

Respectfully,

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