To: Adrian Mills; Diane Inzano; Joseph Vernuccio; Kevin Stoklosa; Kristofer Anderson; Mark Trench; Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning

Subject: FW: Proposed FSP FAS 157-e and Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

From: Mary Sroufe (WCUL) [mailto:msroufe@waleague.org]
Sent: Monday, March 23, 2009 12:20 PM
To: Director - FASB
Subject: Proposed FSP FAS 157-e and Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Washington CREDIT UNION LEAGUE AND AFFILIATES

March 23, 2009

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

Dear Mr. Golden,

As the trade association for Washington's 122 state and federally chartered credit unions, who have a total of more than 2.4 million members, the League is pleased to have the opportunity to comment on the FASB's proposed FSPs. The League supports both of these proposed FSPs as significant improvements over current practice.

FSP FAS 157-e

This guidance will provide corporate credit unions with the needed ability to more accurately price their assets. This draft better reflects the concept of a willing buyer and a willing seller, and helps corporate credit unions determine when a market is active or not, and when a transaction is distressed or not.

The League believes this guidance should allow application to 2008 financial statements. This FSP is not a change in accounting estimate, it is a clarification of the original FAS 157, and a correction of October's guidance. As such, it should be retroactive.

The League recognizes that FASB may be concerned that a retroactive effective date will impact those institutions who have already filed their audited 10-Ks with the SEC. While those institutions are impacted by a retroactive date, they need not re-file unless the change has enough of an impact to justify the expense of re-filing. For those institutions currently undergoing year-end audits, it does not make sense to have a different outcome for valuations of assets at the end of 2008 versus the first quarter of 2009, certainly not when the difference can be attributed to an accounting clarification that is long-overdue.

FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

The League agrees that it is appropriate to focus on credit losses as a reflection of the economic reality of a financial institution. The current guidance results a misstatement of capital in the short term. The focus on earnings charges in excess of actual projected losses reduces capital only to have it increased later as the securities pay their expected cash flows. Rather than artificially lowering capital in the short term and increasing it in the long term, the guidance will allow financial institutions to maintain a more steady level of capital: a reflection its the true economic condition.

Like FSP FAS 157-e, this guidance should be retroactive. Here, the FASB has not characterized the change as a change in estimate, so there seems to be no bar to retroactivity. Regarding those institutions who have already completed their 2008 10-k filings, the same argument applies as above. If the impact of these changes is significant, they can re-file.

The League also wonders why the FASB Board chose to exclude the language that would provide a de minimus exception to using this statement. Excluding this language would seem to indicate that the FASB Board believes that any delay or shortfall in the amount of payments requires evaluation for OTTI loss. In the League's view, one payment submitted one dollar short has an insignificant impact on the value of a multi-million dollar security. Evaluating such a security for OTTI would not reflect the true value of that security.

Overall, the League is very pleased to see the FASB's guidance on these important issues. The changes in guidance will go a long way toward reflecting the economic realities present in financial institutions.

Thank you for the opportunity to comment on this guidance, and for your consideration of them.

Sincerely,

Mary Sroufe
Director of Regulatory Affairs
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