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March 26, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116



RE: Comments on Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b: Recognition and Presentation of Other-Than-Temporary Impairments.

Dear Mr. Golden:

State Bank of Southern Utah appreciates the opportunity to comment on the proposed FSP FAS 15-a, FAS 124-1, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments*. We are pleased that FASB is finally taking action to improve guidance relating to other than temporary impairment (OTTI). This letter will only address the more significant concerns we have because of the need to have our comments to you by April 1, 2009.

Overall, State Bank supports the Proposed FSP. We believe that the threshold to recognize market-related OTTI based on the lack of intent to sell (meaning 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 its recovery) is much more logical than the current requirement. State Bank also agrees with the proposal to recognize only credit losses through earnings.

Although State Bank supports the proposed FSP as a good start, we urge FASB to take this opportunity to make additional changes to OTTI guidance because it has demonstrated problems over the past years.

We believe the following recommendations will improve transparency, reliability and clarity. Here are our major requests for changes:

- OTTI should be based on credit losses rather than mark to market losses.
 - We agree that probable credit losses represent actual economic losses of a security and should be recorded in earnings. However, we believe related losses on debt securities should not be a part of OTTI at all if the security is being held to maturity. Debt securities are different from equity securities because of the contractual cash flows and maturities that exist. Discounts within market quotes will necessarily disappear over time unless you have further credit losses.
 - o Estimates of fair values in the current market environment are likely to be unreliable, no matter how much you strive for accuracy. Recording estimated market values (and, thus, declines to equity) where bid prices are often significantly greater than the ask prices misleads users, who assume

- reliability in financial statements. With this in mind, market-related losses should not be recorded in OTTI for available-for-sale securities, unless the intent to sell exists.
- o Recording market losses as OTTI on held-to-maturity securities contradicts the contention that such investments are held to maturity and will not be subject to any market-related loss. This confuses the reader of the financial statements and adds complicated challenges to the preparers. It is also illogical to reduce the book value of a debt security as a loss to OCI, only to accrete the amount over time back to the value of the security. This helps demonstrate that non-credit market losses should not be a part of OTTI if there is no current intent to sell.
- The Proposed FSP should apply to securities with OTTI at the effective date. The FSP should include a "true-up" for securities with OTTI by recording a one-time beginning balance adjustment between retained earnings and other comprehensive income. This will help avoid confusion about the measurement basis for securities subject to OTTI before the proposed FSP compared to OTTI measured afterward and will increase consistency and comparability on these securities.

Other points to consider:

- The discussion of the meaning of "credit losses" should be expanded.

 While an SFAS 114 measurement methodology is used as an example in the Proposed FSP, in order to avoid confusion with other references in GAAP to the fair value of "credit risk", and expanded description would be useful. In other words, the amount recorded to earnings should be based on an estimate of the actual credit losses, rather than an extraction of the portion of the fair value affected by a change in the credit risk.
- Recoveries of OTTI should be reversed if the impairment is not permanent.

I appreciate you considering my views. State Bank of Southern Utah is a small bank located in southwestern Utah on the I-15 corridor. We have 15 offices in rural and urban settings and have \$600 million in total assets. We have about \$450 million in business, consumer and real estate loans.

Sincerely.

Ronald. W. Heaton President & CEO

* Many of these comments came from an American Bankers Association (ABA) letter and bullet points. State Bank is an ABA member and supports their efforts in this effort to improve FASB rules on OTTI.