

# Family Housing RESOURCES



March 30, 2009

LETTER OF COMMENT NO.

151

VIA EMAIL: [director@fasb.org](mailto:director@fasb.org)

Mr. Russell Golden

Technical Director, Financial Accounting Standards Board

301 Merritt 7

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**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:

On behalf of Family Housing Resources, Inc., an Arizona non-profit affordable housing organization, I appreciate the opportunity to comment on the Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments* (proposed FSP).

As a member of the Affordable Housing Advisory Council of the Federal Home Loan Bank of San Francisco, my organization has a particular interest in the rules that govern other-than-temporary impairment (OTTI) of securities as it is currently accounted for in financial statements. In the fourth quarter of 2008, the FHLBank San Francisco recorded an OTTI charge of \$590 million on certain non-Agency mortgage-backed securities. Most of this charge reflected market losses resulting from the lack of liquidity in the MBS market. The estimated credit loss on the securities was \$27 million.

The FHLBank of San Francisco's Affordable Housing Program (AHP) is funded by 10% of the Bank's net income in the prior year. As a direct result of the decline in 2008 net income caused by the non-credit-related portion of the OTTI charge, the funds available for the FHLBank of San Francisco's 2009 AHP have been reduced by approximately \$46 million. Moreover, the unaudited fourth quarter 2008 preliminary combined operating highlights of all 12 FHLBanks suggest a reduction of more than \$100 million in AHP funding nationwide as a direct result of the impact of non-credit-related OTTI charges on the net incomes of the 12 FHLBanks. This couldn't be occurring at a more difficult time, when the availability of other sources of credit for affordable housing are severely constrained and the needs in our communities only continue to grow.

On the national level, the FHLBanks' AHP has been recognized as the single largest private provider of affordable housing grants. In addition to the impact the OTTI rules are having on the FHLBanks, the rules are also putting pressure on other financial institutions to conserve capital. Many financial institutions have reduced their lending activity because of uncertainty about the potential for future OTTI charges.

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On the local level, Arizona, has achieved unenviable recognition nationally as the state with the highest foreclosure rate in the country. However, Arizona's Department of Housing's "Housing Trust Fund", which last year provided approximately \$36 million in housing subsidies and development funds to assist low to moderate income individuals and families obtain decent, affordable housing either on a rental or ownership basis, has been decimated by the State Legislature in its efforts to balance the State's fiscal year 2010-11 budget. \$29 million of the proposed \$34 million of budgeted funds have been eliminated from the Trust Fund. This has reduced the available funding for state sponsored housing programs by eighty-five percent (85%)—at a time when the need for housing assistance is growing exponentially. The economic downturn has also had the effect of forcing local governments—particularly cities and towns in Maricopa County, Arizona's largest urban county—to significantly reduce their housing assistance funding as well.

Because the accounting rules relating to OTTI are having a direct, negative effect on the availability of affordable housing funds and on the ability of lenders to provide credit to our communities, I urge you to consider two recommendations regarding the proposed FSP.

- **For held-to-maturity debt securities, only the estimated credit losses should be reflected in the financial statements.** Non-credit-related losses should continue to be fully disclosed in the notes to the financial statements, but they should not affect an institution's earnings or capital.
- **Retrospective application should be permitted.** Many financial institutions have already recorded large other than-temporary impairment charges, a significant portion of which were attributable to market losses rather than credit losses as a result of current market turmoil. The proposed FSP should be modified to permit institutions that have already recorded OTTI charges to elect a retrospective application of the proposed FSP. To the extent that FHLBanks with OTTI charges in 2008 choose to apply the proposed FSP retrospectively, it would increase the amount of AHP funds available in 2009.

Thank you for this opportunity to comment on this critically important proposed FSP. I believe that the availability of affordable housing funds and additional credit resources for our communities is critical during these turbulent times, and I appreciate the steps FASB is taking to revise the accounting rules that directly affect the availability of these funds, and credit in general, in the marketplace.

Yours sincerely,  
FAMILY HOUSING RESOURCES, INC.



James R. Feltham  
CEO