

October 1, 2008

By E-Mail and Regular Mail



LETTER OF COMMENT NO.

3

Mr. Robert Herz
Chairman, Financial Accounting Standards Board
401 Merritt 7 P.O. Box 5116
Norwalk, CT 06856-5116.

Dear Mr. Herz:

ViewPoint Bank would like to comment on the recent feedback received by the SEC dated September 30, 2008, regarding other than temporary impairment (OTTI) and FAS 157 market value treatment of certain debt and equity securities. First of all, we appreciate that the SEC clarified that “unobservable inputs (level 3) might be more appropriate than using observable inputs (level 2).” Also, we appreciate the SEC’s clarification that it may be appropriate to utilize an estimate based primarily on unobservable inputs as “the determination of fair value often requires **significant judgment.**”

We would still like some further clarification regarding the “input” required in order to reconcile the difference between the market value price and book value? Also, we would appreciate further clarification on what it means to consider a market participant view in a disorderly market where there is significant spread between the amount that sellers are “asking” and the price at which buyers are “bidding”.

For example, if the projected cash flow analysis based on projected defaults and deferrals produces a result that OTTI does not exist; however, the market price, which is deemed to be inappropriate due to a disorderly market, is significantly less than cost clarification, how would you reconcile the difference. What discount rate would be appropriate to use in the cash flow? We would suggest that the discount rate should be the current yield received.

Additionally, if management has the intent and ability to hold the security until the anticipated recovery in the market, as stated in SAB Topic 5M¹, what length of time is reasonable for recovery? We would suggest that if management can illustrate the ability to hold the security until maturity, the length of time for recovery could be up to the point of maturity.

Lastly, the SEC indicates that **all** available information should be considered in estimating the anticipated recovery period. This is a very general statement. We would appreciate more specific guidance on what information should be used.

Sincerely,

Patti McKee, CPA
EVP, Chief Financial Officer
ViewPoint Bank