April 4, 2006

Ms. Suzanne Bielstein  
Director, Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

File Reference No. 1250-001  

Dear Ms. Bielstein:

On behalf of all the Federal Home Loan Banks, we are pleased to offer the following comments in response to the Financial Accounting Standards Board's (FASB or Board) Proposed Statement of Financial Accounting Standards, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (Exposure Draft or proposed Statement), dated January 25, 2006.

We are supportive of the Exposure Draft and the election to measure selected financial assets and financial liabilities at fair value (Fair Value Option). We believe that the Fair Value Option represents an improvement to current financial reporting because it helps reduce some of the challenges caused by the mixed attribute accounting model.

We understand the concerns about the potential for reduced comparability of financial statements that would arise by having some financial assets and financial liabilities measured at fair value and other financial assets and financial liabilities measured using a different measurement method. However, we believe that appropriate disclosures would enable financial statement users to understand the impact of electing the Fair Value Option.

We would like the Board to consider our comments on the option to recognize firm commitments at fair value, changes in creditworthiness, and on presentation and disclosure requirements as set forth below; however, we strongly believe that the Board should not delay the issuance of the proposed Statement as a result of any of these comments.
Option to Recognize Firm Commitments at Fair Value (Issue 2)

We support the option to recognize firm commitments, as defined in PASB Statement No. 133, at fair value at the inception of the contract. Because we frequently match asset and liability exposures simultaneously with cash instruments and with derivatives, having the option to fair-value the firm commitment that is created with the purchase or sale of an asset or liability would improve the transparency of an entity's financial condition and more accurately reflect its performance.

Changes in Creditworthiness (Issue 6)

We believe the Board should reconsider its decision to not allow any approaches for curtailing the debtor's recognition of the portion of a liability's changes in fair value that is attributable to changes in its own creditworthiness. In reconsidering its decision, we believe that the Board should modify the proposed Statement to allow an entity the irrevocable option of choosing either the full fair value or only fair value changes due to general market movements for its own liabilities. We would propose that this election be made at an entity's adoption of the final Statement and be consistently applied to its own liabilities which are accounted for using the Fair Value Option. In addition, for entities that elect to choose the full fair value approach, we propose that the final Statement include requirements to disclose the portion of fair value gains and losses associated with changes in the creditworthiness of an entity's own liabilities. We believe that disclosing both an entity's election to either include or exclude creditworthiness on its own liabilities and quantitative disclosure for fair value gains and losses associated with changes in the creditworthiness of its own liabilities allows for greater comparability between entities' financial statements. Furthermore, this additional quantitative disclosure requirement could be included with the proposed Statement's current disclosure requirements set forth in paragraph 13, which requires an entity to disclose qualitative information about the reasons for significant changes in the fair value of its liabilities.

We firmly believe that by having the option to exclude the creditworthiness associated with an entity's own liabilities, it would alleviate any concern associated with an entity recording a gain on a liability when the entity's creditworthiness deteriorates and therefore, allow for a more rational approach to manage, monitor and report under the fair value option. In addition, this approach would allow an entity the flexibility at adoption to elect to exclude the creditworthiness component, thereby reducing the disclosure requirements relating to the portion of fair value gains and losses associated with creditworthiness on its own liabilities.
presentation and disclosure requirements (issue 7)

we strongly support the board's view that the presentation of assets and liabilities should be separated between those that are measured at fair value, pursuant to the election of the fair value option, and those that are measured using current guidance. in addition, we would like the board to specifically address where gains and losses on assets and liabilities measured using the fair value option should be reported on the income statement. in order to fully inform financial statement users of the impact that such an election presents in earnings, we believe that the impact of changes in the fair value of assets and liabilities measured pursuant to the fair value option should be stated separately on the face of the income statement within an "other income" or similar category.

changes in fair value should not be included within interest income or interest expense for assets and liabilities for which the fair value option has been elected. interest income and interest expense should continue to be presented as components of net interest income. this presentation is consistent with the treatment for unrealized gains and losses on securities classified as trading under fasb statement no. 115 and for designated hedged items under fasb statement no. 133. we believe that when evaluating the financial performance of an entity with significant amounts of interest-bearing financial instruments, historical interest income and expense is highly relevant to financial statement users and therefore, it should be disclosed distinctly from other components of financial performance, such as fair value changes.

we further support the disclosure requirements of paragraphs 12-13 of the proposed statement that additional quantitative and qualitative disclosures should be presented in the accompanying footnotes to show the impact of changes in fair value on each class of financial instruments presented under the fair value option.

we appreciate the opportunity to comment on the exposure draft. should you have any questions regarding our response, please contact me at (415) 616-2603.

sincerely,

[signature]

vera mayum

senior vice president and controller, federal home loan bank of san francisco

chairperson, controllers' committee of the federal home loan banks