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Mr. Russell G. Golden, Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

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* (hereinafter referred to as the proposed OTTI FSP). The Financial Accounting Standards Board ("FASB") is to be commended for efforts to reassess the current impairment accounting model and for working towards a commitment of guidance applicable this first quarter. I also want to thank the FASB for the extensive work as the proposed OTTI FSP is a significant improvement from the current accounting model. My letter focuses on a few aspects of the proposed FSPs that I believe the FASB should consider during deliberations.

Proposed OTTI FSF

I agree that the credit component of OTTI for held-to-maturity investments should be recorded in income, but I believe the non-credit component should not be included in income or accumulated other comprehensive income. The non-credit component should be disclosed in the footnotes to the financial statements. For available-for-sale securities the non-credit component is appropriate for other-comprehensive income as such securities are always carried at fair value.

The FASB should consider removing the gross presentation in the income statement of impairment losses offset by non-credit impairment in the proposed OTTI FSP. The proposed presentation is inconsistent with the loan accounting presentation for loans held for investment. Also, the presentation confuses and complicates the face of the financial statements with information that is more appropriate for footnote disclosure.

The FASB should require the proposed OTTI FSP to be applied retrospectively, in accordance with SFAS No. 154, Accounting for Changes and Error Corrections, instead of prospectively. The retrospective application is appropriate because during 2007 and 2008, a number of financial institutions recorded significant OTTI charges on debt securities. These financial institutions have amortized and will continue to amortize significant non-credit impairment to interest income, which will distort net interest margins. Also, retained earnings for these financial institutions' may include a significant amount of non-credit impairment. The impact of the current accounting model for OTTI securities may continue to make it difficult for investors to compare key financial metrics (such as Net Interest Margin and Tangible Common Equity). This will be especially troublesome relative to comparisons of financial institutions who have recorded OTTI charges with those that have not.

Another argument for retrospective application is to best reflect the economic reality for corporate credit unions of which PEFCU is a member. The FSP improves and expands on an entities intent and ability to hold impaired securities until market recovery or maturity. Retrospective application of the changes in many cases will preserve much needed capital in this period of economic strain.

My comments are meant to help clarify and improve certain aspects of the proposed FSPs and should not be construed as any type of broad opposition to these proposals. Continued action by the FASB to improve financial reporting is to be commended.

Sincerely,

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