



LETTER OF COMMENT NO. 142

To: Tuesday, March 31, 2009 12:03 AM
Adrian Mills; Diane Inzano; Joe Vernuccio; Kevin Stoklosa; Kristofer Anderson; Mark Trench;
Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning
Subject: FW: OTTI

-----Original Message-----

From: wbgrant@mybankfirstunited.com [mailto:wbgrant@mybankfirstunited.com]
Sent: Monday, March 30, 2009 10:24 PM
To: Director - FASB
Subject: OTTI

Dear Director-As a community banker, I appreciate the opportunity to comment on the proposed changes to current FASB guidance on OTTI. I can assure you that it is long overdue. We are basically a simple community bank that, as part of its assets, owns several trust preferred securities. Despite strong continuing performance by the vast majority of banks within the securities, the illiquidity of the market has caused a significant burden in ascertaining what the value might be for these securities. In our case, our Finance area spent several hundred hours during the course of 2008 running numerous scenarios to try to figure the value under a number of different situations. Given our intent and ability to hold these securities, and the small degree of credit risk and/or deterioration, this was not an effective use of our time. This is coupled by concern by auditors, some of whom are overly conservative, that we reflect a very conservative position. In our instance we incurred an OTTI of 2.7 million on an issue of slightly more than 3 million. This, with over 92% contractual performance by the underlying banks. In a twist of irony, I indicated that, at that price, I thought we should buy more--the yield to maturity was outstanding. Of course, none is to be found at that price, which adds fuel to the point that mark-to-market, in its current state, is badly flawed. I applaud the efforts to revise it as proposed, and thank you for undertaking this effort. I strongly support separating the credit component from market, and hope you will hold to that. We are accustomed to taking credit adjustments to our credit losses, and your proposed position is consistent with that. I still question having any adjustment for illiquidity, where the ability and intent to hold is present, but submit that if it must exist, it is better, and less distortive, to treat it as OCI. Finally, I hope you will consider allowing adjustments upward as circumstances dictate. It is a continuing distortion to OCI and earnings to make OTTI permanent. Just as with loan recoveries, we should be able to recognize improved conditions when they occur. Thank you-William B.
Grant, Chairman & CEO; First United Bank & Trust; Oakland, MD 21550