

# Southwest Georgia United

## An Empowerment Zone and Community Development Corporation

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March 30, 2009

Mr. Russell G. Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
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LETTER OF COMMENT NO. 128

Via email: [director@fasb.org](mailto:director@fasb.org)

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

Dear Mr. Golden:

The Financial Accounting Standards Board (FASB) has issued proposals to adjust fair value accounting (FVA) guidance and the principles that are applied to the presentation of mortgage-backed securities valuation in financial statements. This letter sets forth the comments of Southwest Georgia United Empowerment Zone, Inc. regarding these proposals.

I am writing as an advocate of affordable housing and community development. I understand that the application of certain accounting principles has had an unnecessarily harmful effect on the availability of funds for affordable housing and the residential and small business credit. The reason for this is that financial institutions are being required to recognize significant non-economic losses on their mortgage-backed securities even when these investments continue to perform and will be held to maturity.

Generally FVA provides accurate and transparent financial information. However, recent events and news items have caused markets for Mortgage Backed Securities (MBS) to become dislocated and illiquid. MBS have virtually no current market, regardless of current performance of the specific securities. While the real economic value of held-to-maturity MBS remains high based on financial modeling and analysis, the current dislocated market is unable to provide a market value that is congruent with that "real" economic value. This results in accounting-mandated asset write downs far in excess of the estimated economic impairments. The unique current market dislocations have exposed a flaw in the U.S. GAAP fair value accounting for Other Than Temporary Impairments (particularly regarding held-to-maturity assets) which is having a systemic negative impact on economic activity and growth.

For example, affordable housing developers rely on the Federal Home Loan Banks' (FHLBanks) Affordable Housing Program funds, which are derived from 10% of the FHLBanks' net income. The application of current other-than-temporary impairment (OTTI) and fair value principles may have resulted in a reduction of more than \$150 million attributable to the non-economic portion of the charges taken. The OTTI principles must be corrected and clarified with better

guidance to, among other things, help reduce the unnecessary reduction of critically needed affordable housing funds and residential credit nationally.

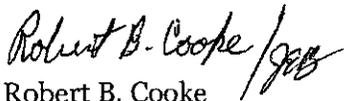
Regarding the other-than-temporary impairment of assets, I believe the FASB should revise the proposal to require the non-credit impairment of held-to-maturity investment securities to be recorded in the financial statement footnotes. Although the proposal states that its provisions need not be applied to immaterial items, I encourage you to emphasize this point, as I understand that accounting firms have not always heeded such guidance in the past.

In addition, this guidance should permit retrospective application because a number of institutions recorded significant OTTI charges on debt securities last year and in 2007. This is critical as it would help improve the capital position of many financial institutions resulting in an increase in the availability of residential mortgage and other important housing related credit.

In an era when it is difficult for any entity to find reliable sources of funding, it is vitally important to preserve the funding that the FHLBanks and other financial institutions can provide to communities across the nation for affordable housing. In considering final accounting guidance, I encourage the FASB to adopt guidance that does not unintentionally reduce affordable housing opportunity and negatively impact the local job creation, tax base, and capital leveraging benefits associated with such housing

Thank you for consideration of my views, as the FASB continues working on these important issues.

Sincerely,



Robert B. Cooke  
Executive Director