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March 27, 2009

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



LETTER OF COMMENT NO. 106

Via email: director@fasb.org

Re: Comments on Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b: Recognition and Presentation of Other-Than-Temporary Impairments

Dear Mr. Golden:

On behalf of Neighborhood Development Collaborative, a national housing and community development nonprofit, 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* (proposed FSP).

As a member of the Affordable Housing Advisory Council (AHAC) of the Federal Home Loan Bank of San Francisco, my organization has a particular interest in the rules that govern other-than-temporary impairment (OTTI) of securities as it is currently accounted for in financial statements. At a recent meeting of AHAC, I found out that in the fourth quarter of 2008, the FHLBank San Francisco was required to record an OTTI charge of \$590 million on some non-agency mortgage-backed securities. Most of this charge reflected market losses resulting from the lack of liquidity in the MBS market. The estimated credit loss on the securities was \$27 million.

The loss of credit for affordable single-family and multifamily housing is likely to be devastating to existing and potential projects. My organization has already put several projects put on hold because our local lenders are unsure of their ability to provide funding. In addition to new construction, it is difficult to obtain funding for major rehabilitation projects. This is occurring at a time when the nation needs more, not less, affordable housing.

Locally, the FHLBank of San Francisco's Affordable Housing Program (AHP) is funded by 10% of the Bank's net income in the prior year. As a direct result of the decline in 2008 net income caused by the non-credit-related portion of the OTTI charge, the funds available for the 2009 AHP have been reduced by approximately \$46 million.

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March 27, 2009
Mr. Russell Golden
Page 2

Nationally, the unaudited fourth quarter 2008 preliminary combined operating highlights of all 12 FHLBanks suggest a reduction of more than \$100 million in AHP funding nationwide as a direct result of the impact of non-credit-related OTTI charges on the net incomes of the 12 FHLBanks. The FHLBanks' money is often the critical piece of the development funding and is often the major component that makes a project viable. This reduction in resources couldn't be occurring at a more difficult time. The availability of other sources of credit for affordable housing are severely constrained and the needs in our communities only continue to grow. The FHLBanks' AHP has been recognized as the single largest private provider of affordable housing grants and is often used in conjunction of Low-Income Housing Tax Credits.

As I wrote earlier, in addition to the impact the OTTI rules are having on the FHLBanks, they are also putting pressure on other financial institutions to conserve capital. Many financial institutions have reduced their lending activity because of uncertainty about the potential for future OTTI charges. Thus, because the accounting rules relating to OTTI are having a direct, negative effect on the availability of affordable housing funds and on the ability of lenders to provide credit to our communities, I feel compelled to provide you with two recommendations regarding the proposed FSP.

1. **Only the estimated credit losses should be reflected in lending institutions' financial statements for held-to-maturity debt securities.** Non-credit-related losses should continue to be fully disclosed in the notes to the financial statements, but they should not affect an institution's earnings or capital.
2. **Retrospective application should be permitted.** Many financial institutions have already recorded large OTTI charges, a large proportion of which were attributable to market losses rather than credit losses as a result of current market turmoil. The proposed FSP should be modified to permit institutions that have already recorded OTTI charges to elect a retrospective application of the proposed FSP. To the extent that FHLBanks with OTTI charges in 2008 choose to apply the proposed FSP retrospectively, it would increase the amount of AHP funds available in 2009.

Thank you for this opportunity to comment on this critically important proposed FSP. We believe that the availability of affordable housing funds and additional credit resources for our communities is critical during these turbulent times, and we appreciate the steps the FASB is taking to revise the accounting rules that directly affect the availability of these funds, and credit in general, in the marketplace.

Sincerely,



John A. Carlisi
Chairman and CEO

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