

Helping to Make Homes Affordable to All.



March 30, 2009



LETTER OF COMMENT NO.

152

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:

The Financial Accounting Standards Board (FASB) has issued proposals to adjust fair value accounting guidance and the principles that are applied to the presentation of mortgage-backed securities valuation in financial statements. This letter sets forth my comments as a principal of Shea Development Group, LLC and the Senior Vice President of the Maryland Association of Housing and Redevelopment Agencies 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.

For example, affordable housing developers rely on the 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.

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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 increasing 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,

Neil Gaffney

Neil Gaffney, Principal
Shea Development Group, LLC