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Russell G. Golden
Director of Technical Application & Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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Via Email to: director@fasb.org

LETTER OF COMMENT NO. 60

Re: File Reference: *Proposed FSP FAS 107-a*

Dear Mr. Golden:

We appreciate the opportunity to comment on the Proposed FASB Staff Position FAS 107-a, *Disclosures About Certain Financial Assets: An Amendment of FASB Statement No. 107* (the "Proposed FSP"). We support the Board's objective to provide financial statements with disclosures that allow readers to better compare similar financial assets with different reporting measurement attributes, but we have significant concerns about certain provisions in the Proposed FSP.

Effective Date

We have reviewed the Proposed FSP and believe it is not reasonable to assume that it would be operational considering the data required to produce the disclosures and the timing of the proposed effective date. Although the Proposed FSP would expand our disclosures rather than change our primary financial statements, the process of obtaining expected cash flows for our entire portfolio of debt securities classified as available-for-sale will require significant time and effort and ultimately may not be possible for certain debt securities. As of September 30, 2008, Fannie Mae had $262 billion of debt securities classified as available-for-sale, representing approximately 420,000 positions that would require individual analysis under the Proposed FSP. For many of our securities, the information needed to perform the calculations required by the Proposed FSP is not readily available from external sources or captured in our systems of record. We would need to design and implement new processes and modify systems to obtain the detailed information necessary to prepare the proposed disclosures. These disclosure requirements, coupled with other new disclosures required for calendar year-end companies[1], introduce significant challenges and puts public companies at risk of failing to comply with the timely reporting requirements of the Securities and Exchange Commission.

We believe the Board's proposed effective date does not afford sufficient time to implement the processes required to prepare the proposed disclosures and review, test, and, if necessary, remediate those processes as required by the Sarbanes-Oxley Act of 2002. We recommend that the Board defer the effective date of the FSP and permit early adoption.

Incurred Loss Amount for Debt Securities

Additionally, we do not believe that the provisions of the Proposed FSP will necessarily produce results consistent with its stated objective. Because the focus of the Proposed FSP is on measurement differences between Statements No. 114 and 115 and not on recognition of incurred losses, any FSP should clarify how and when to determine the incurred loss amount. We note that measurement of the incurred loss amount as prescribed in the Proposed FSP is consistent with the measurement provisions of Statement No. 114. However, the measurement provisions in Statement No. 114 are only relevant when application of the recognition provisions of that standard indicate that a loss has been incurred. That is, no measurement is necessary under Statement No. 114 unless "it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement." The Proposed FSP does not contemplate the recognition provisions of Statements No. 114 or No. 115 when measuring the incurred loss amount for debt securities. As such, the mechanical calculation prescribed in the Proposed FSP (consistent with Statement No. 114) could indicate a loss has been incurred due to an extension of cash flows, when all amounts due according to the contractual terms are expected to be received. This may result in circumstances where the calculation of the incurred loss amount of a debt security indicates a loss has been incurred, but the company has not recognized an other-than-temporary impairment for it.

For example, the contractual terms of single-class agency mortgage-backed securities reflect the prepayable nature of the underlying assets. Changes in prepayment speeds will alter the timing of cash flows but will not alone indicate an other-than-temporary impairment if it is probable that all amounts due under the contract will be received.

The Proposed FSP effectively assumes that recognition of a loss is necessary for all debt securities, although this seems inconsistent with the objective of the proposed disclosures. We recommend that the proposed guidance be revised to clarify that the incurred loss amount should only be calculated when a company has determined that a loss has been incurred and requires recognition through earnings pursuant to the accounting literature applicable to that instrument (e.g., Statement No. 115 for debt securities). Alternatively, the Board could consider revising the Proposed FSP to clearly state the principle behind the incurred loss amount and eliminate any

[1] Other new disclosure requirements that have a disproportionately higher impact on the financial services industry, similar to the Proposed FSP, include Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, FASB Staff Position No. FAS 133-1 and FIN 45 -4, *Disclosures about Credit Derivatives and Certain Guarantees*, and FASB Staff Position No. FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.*

prescribed formula for deriving that amount. Disclosure of how a company determines the incurred loss amount should then be emphasized.

We also agree that the Proposed FSP should not include financial assets measured at fair value with changes in fair value recognized in earnings. We believe the scope of the Proposed FSP is appropriate and consistent with the objective of improving the comparability of economically similar financial assets that are subject to different impairment models.

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Thank you for providing us the opportunity to comment on Proposed FSP FAS 107-a and considering our responses. Please contact me at (202) 752-6549 if you would like to discuss our response further.

Sincerely,

Gregory N. Ramsey
Vice President, Accounting Policy