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LETTER OF COMMENT NO. 171

File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

SunTrust Banks, Inc. is pleased to comment on 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 115-a").

We support the Board's efforts to improve financial reporting and believe certain aspects of Proposed FSP 115-a achieve this goal. However, we believe the Board has a timely opportunity with Proposed FSP 115-a to significantly improve the other-than-temporary-impairment ("OTTI") model. We recognize the political and market pressures that have caused the Board to issue Proposed FSP 115-a in such an expedited fashion, but we encourage the Board to fully evaluate our comments and those of other constituents prior to issuing any final guidance to ensure that complete and useful interpretive guidance is issued.

As opposed to directly answering the Board's questions, we have provided specific comments for the Board to consider.

OTTI Impairment Indicator

As drafted, we do not believe that the provisions of Proposed FSP 115-a highlight the significance of the change to the OTTI impairment indicator. We understand that the change from an "intent and ability to hold" to a "no intent to sell" model is expected to have a considerable impact in practice by permitting more active management of an available-for-sale ("AFS") portfolio, as opposed to sales of underwater securities generally only being permitted upon the occurrence of significant and unanticipated events. Specifically, we understand that the "no intent to sell" assertion is point-in-time related to a particular balance sheet date, which can readily change in subsequent periods.

If our understanding is accurate, such a significant accounting change should be explicit and fully explained by the Board through a detailed discussion of the theoretical basis and operational aspects of Proposed FSP 115-a, as compared to prior OTTI guidance. Further, additional clarity is needed around the operational aspects of the proposed "no intent to sell" indicator. The Board should consider including the impairment indicators in ¶30 of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as possible analogous criteria that may provide useful indicators on what would trigger an OTTI charge under a "no intent to sell" framework.

Our significant concerns with any lack of clarity are founded in the divergent and restrictive interpretations that arose in past applications of OTTI guidance. If the Board is not explicit around the parameters of the “no intent to sell” assertion, such interpretations may re-surface in the future, similar to those that restricted any sales of AFS securities in an unrealized loss position, which will negate any reasonable or consistent application of Proposed FSP 115-a.

Retrospective Application

As drafted, ¶18 of Proposed FSP 115-a notes that the provisions therein should be applied prospectively, but does not make mention of retrospective application; however, ¶16 of Proposed FASB Staff Position No. FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (“Proposed FSP 157-e”), specifically notes that retrospective application is not permitted. We believe that it is critical that the provisions of Proposed FSP 115-a are permitted to be applied retrospectively, due to the material and significant inconsistent applications that exist in practice related to the timing of recognizing OTTI charges.

We understand that the goal of Proposed FSP 157-e is to remove extreme liquidity premiums that may have been incorporated into the fair values of certain financial instruments. However, because some level of such premiums would have been included in the fair values of certain securities under current applications of SFAS No. 157, *Fair Value Measurements*, companies would have recognized OTTI charges through earnings for the full value of a loss, as opposed to just the credit portion. Consistent with our comments on the OTTI impairment indicator, material inconsistencies exist in practice related to the recognition of an OTTI charge; certain companies have applied different OTTI indicators and have realized OTTI charges over the past two years, while other companies continue to report significant unrealized losses on largely similar portfolios. As such, the timing of the issuance of Proposed FSP 115-a and prospective application only will result in a significant lack of comparability in how companies have recognized OTTI during the current recessionary business cycle.

Therefore, we suggest the Board permit, but not require, retrospective application. We believe that the provisions of SFAS No. 154, *Accounting Changes and Error Corrections*, would support retrospective application by amending prior periods; however, if the effective date of Proposed FSP 115-a is as currently drafted, the operational difficulties of that approach may negate the benefits. As such, we suggest the Board permit a cumulative transition adjustment between retained earnings and accumulated other comprehensive income for the non-credit component of the previously recognized OTTI charge for any AFS securities held as of the adoption date of Proposed FSP 115-a. Such a provision, coupled with required disclosures of such adjustments, would foster comparability between entities for both OTTI charges and subsequent accounting.

Measurement of OTTI

We would support a measurement of credit losses that reflect cash flow losses. We do not believe that an OTTI measure should necessarily reflect incurred losses, as that could give rise to an incurred loss period; rather, such a measure should encompass expected cash losses over the expected life of an asset, discounted at the security’s effective interest rate, as used in SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*. We support this measurement basis for two reasons. We believe that cash flow losses are a conceptually pure measure of credit losses in an interest-bearing debt security. Secondly, but equally as important, we believe it will foster more comparability between entities and, therefore, provide much more useful and understandable information to users of financial statements. Comparability and understandability should be paramount in any new OTTI guidance, as

this guidance is proposing to permit a largely subjective calculation that will impact a company's earnings.

Subsequent Recoveries in Fair Value

We suggest that the Board give consideration to the recognition of subsequent recoveries in fair value related to credit to be recognized in earnings. If an OTTI charge for credit losses is recognized in earnings, we believe that any subsequent improvements in the estimate of those credit losses should be recognized directly in earnings. Any measure of credit loss is an estimate, based on various assumptions. As such, a fair presentation of such losses should recognize that those assumptions are point-in-time and could reverse in the future.

Effective Date

We recommend that the effective date be for interim periods ending after June 15, 2009, with early application permitted. Since it is likely that such an effective date would not allow for consideration and inclusion of all OTTI accounting changes, including convergence with certain IFRS principles, we encourage the Board to issue additional standards prior to the formal effective date of Proposed FSP 115-a.

SunTrust Banks, Inc. appreciates the opportunity to comment on Proposed FSP 115-a. If you have any questions concerning our comments, please contact Tom Panther at (404) 588-8585.

Sincerely,

Tom Panther
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SunTrust Banks, Inc.

cc: Mark Chancy
Chief Financial Officer
SunTrust Banks, Inc.