

VIRGINIA BANKERS ASSOCIATION

April 1, 2009



LETTER OF COMMENT NO. 271

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

Re: Proposed FSP FAS 115-a, FAS 124-1, and EITF 99-20-b: Recognition and Presentation of Other-Than-Temporary Impairments

Dear Mr. Golden:

The Virginia Bankers Association writes to comment on the above proposal. As a general matter, we believe it is critical that alternative accounting rules be established to replace the mark-to-market rules that simply do not work in this environment. Bank assets that are supported by cash flow, do not represent a credit risk, and are intended to be held for a significant period of time should not have to be written down to their market value when there is simply no market for such assets because of extreme economic conditions. In our view, the mark-to-market rules have had a devastating effect on bank capital at the worst possible time for our financial system and the economy. Accordingly, we applaud the Financial Accounting Standards Board ("FASB") for seeking to improve guidance relating to other-than-temporary impairment ("OTTI"). This represents progress.

In particular, we agree that the threshold for market-related OTTI should be based on the lack of intent to sell by management (management indicates that it does not plan to sell the security, and it is more likely than not that it will not have to sell the security before its recovery) is more workable than the current requirement. We strongly agree that if there is no intent to sell the security, the credit portion of the loss should be recorded in earnings and the non-credit portion of the loss should be recorded in "other comprehensive income."

While we commend the FASB for these proposed changes, we would encourage the FASB to make additional changes to the OTTI guidance. Specifically, we believe

market – related losses on debt securities should not be a part of OTTI at all (unless there is an intent to sell or it is more likely than not the company will be required to sell prior to recovery). Debt securities are different from equity securities because of the existence of contractual cash flows and maturities. Therefore, discounts within market quotes will necessarily disappear over time. Also, market-related losses should not be recorded in OTTI for available-for-sale securities, unless the intent to sell exists. We further believe recording losses as OTTI on held-to-maturity securities contradicts the contention that such investments are held to maturity and will not be subject to any market-related loss. Finally, we believe the FSP should include a “true up” for securities with OTTI by recording a one-time beginning balance adjustment between retained earnings and other comprehensive income. This will help avoid confusion about the measurement basis for securities subject to OTTI before the proposed FSP compared to OTTI measured afterward and will increase consistency and comparability on these securities.

We appreciate the FASB considering our comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bruce".

Bruce T. Whitehurst
President and
Chief Executive Officer