LETTER OF COMMENT NO. 275

To: Adrian Mills; Diane Inzano; Joseph Vernuccio; Kristofer Anderson; Mark Trench; Meghan Clark; Russell Golden; Vita Martin; Wade Fanning

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

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From: Beatty, Lewis [mailto:lbeatty@firsthope.com]
Sent: Wednesday, April 01, 2009 3:24 PM
To: Director - FASB
Cc: dfisher@aba.com; Beatty, Norman
Subject: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments

April 1, 2009

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

Via e-mail: director@fasb.org

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

Dear Mr. Golden:

First Hope Bank appreciates the opportunity to comment on the Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments*. First Hope Bank is a six branch bank located in northwestern New Jersey. We have $400 million in assets, of which roughly $70 million is invested in various types of debt securities.

First Hope Bank supports the proposed rule changes. Forcing a company to recognize Other-Than-Temporary Impairments (OTTI) does not make sense in instances where the market is acting irrationally, when compared to pricing a security based on expected cash flows. For instances where credit becomes an issue for a security, OTTI makes sense, since the investor should not expect to receive all of the contractual cash flows. Banks similar to First Hope often purchase debt securities and hold them until maturity, while occasionally taking a gain or loss as circumstances warrant. Community banks rarely purchase debt securities hoping to take advantage of changes in the market within a day or so or to sell to another investor. OTTI unfairly punishes buy and hold investors of debt securities by forcing the investor to write down the investment to the "perceived" market value, even when the

expected cash flows have not changed. First Hope Bank urges you to approve this rule change.

In addition to the rule change, First Hope Bank asks you to consider an additional adjustment. Instead of writing the value of the investment down, an investor should be able to allocate money to an allowance for investment loss, very similar to how banks do so with loans. The allowance would be a contra-asset where management could set aside income to write the value of the investment portfolio down. This could then be adjusted up or down as situations change. This would be especially helpful with mortgage backed securities that act very similarly to loans.

Thank you for considering our views. Please feel free to contact me if you have any questions or would like to discuss any points further.

Sincerely,
Lewis R. Beatty
Chief Financial Officer
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