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LETTER OF COMMENT NO. **6310**

April 1, 2009

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

First Commonwealth appreciates the opportunity 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." First Commonwealth is a \$6.4 billion NYSE listed financial institution headquartered in Indiana, Pennsylvania. First Commonwealth is particularly interested in this proposal since, not only are we an issuer of financial statements, but as a financial institution we are members of one of the largest users of financial statements, being creditors. This proposal directly impacts our analysis of other-than-temporary impairment for investments falling within this scope.

Specific answers to the questions raised in the proposal including our additional comments are as follows.

1. The separate presentation of the credit component and the noncredit component of an other-than-temporary impairment of a debt security provides decision-useful information. However, we disagree with the requirement to present the total impairment in the statement of earnings. Instead, we propose allowing the presentation of impairment losses on securities expected to be sold and credit-related losses on securities not expected to be sold on the statement of earnings. We believe that the all other amounts be disclosed in other comprehensive income, not on the face of the statement of earnings. We believe presentation on the statement of income would be confusing to the reader.
2. We strongly agree with the requirement to recognize the credit component of an other-than-temporary impairment ("OTTI") in income and the remaining portion in other comprehensive income. We believe the trigger for OTTI to be recognized through earnings should be based on credit impairment rather than fair value, because fair value may reflect an expectation of cash flows as well as a degree of market speculation. We have all recently witnessed the impact of speculation of the real estate markets as well as commodity markets and its ability to misrepresent value.

While we agree with the requirement to recognize the credit component in income, we believe market related losses on debt securities should not be a part of OTTI, unless there is the intent to sell or it is more likely than not the company will be required to sell the security. Also, we would request that FASB allow reversals of OTTI charges when recoveries occur in order to more accurately reflect performance of the underlying assets and to provide consistency with other impairment accounting.



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3. We agree that it is more operational for management to assert that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before its recovery. We believe that this modification could be extended to equity securities provided that FASB quantify duration and severity. Our recommendation is to define duration as a period of 24 months and severity as the security not getting above 70% of book value during the 24 months..
4. We disagree with the requirement that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized over the remaining life of the debt security. Recording market losses as OTTI on held-to-maturity securities contradicts the fact that these investments are held to maturity and will not be subject to any market-related loss. It would also be impractical to reduce the book value of a debt security as a loss to other comprehensive income, and then amortize it back to the value of the security.
5. The proposed effective date of interim and annual periods after March 15, 2009 is operational and we support this proposed effective date. Should the Board conclude that a later effective date is necessary due to the ability of companies to implement the proposed guidance in such a short time frame, we would request the Board permit early application. We would also request that the Proposed FSP apply to securities with OTTI at the effective date and that it include a one-time beginning balance adjustment between retained earnings and other comprehensive income. This would help increase consistency and comparability of financial statements for these securities due to the change in the measurement basis.

In conclusion, we strongly agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income. While we agree with this requirement, we believe market related losses on debt securities should not be a part of OTTI, unless there is the intent to sell or it is more likely than not the company will be required to sell the security. We also would request that FASB consider allowing reversals of OTTI charges when recoveries occur. We disagree with the requirement that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized over the remaining life of the debt security.

We appreciate the opportunity to comment on the proposed FSP and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact me at (724) 463-4724, or at the above address.

Sincerely,

Edward J. Lipkus, III
Executive Vice President and Chief Financial Officer