INTERACTIVE ACCESSS
July 21, 2008
Via e-mail
To: Director – FASB
Subject: File Reference No. EITF0805.

I submit the following two comments with regard to your consideration of the EITF consensus-for-exposure on Issue 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement."

First, paragraph 6 states:

> The issuer of debt with a third-party credit enhancement that is inseparable from the debt instrument shall not include the effect of the credit enhancement in the fair value measurement of the liability.

The conclusion in paragraph 6 is inconsistent with paragraph 24 of Statement 157, which states that "a quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available, except as discussed in paragraphs 25 and 26." In effect, by bifurcating the liability and its credit enhancement, you have made it impossible to obtain a Level 1 measure for the liability EVEN IF IT TRADES IN AN ACTIVE MARKET. Further, you have made it harder for most individuals to apply Statement 157 because they cannot be sure that the asset or liability that they can observe trading in the marketplace is the one that (you believe) should be measured.

Second, paragraph 7 states:

> The unit of accounting for the debt does not include the third-party credit enhancement. That credit enhancement is obtained for the benefit of the investor and does not represent an asset of the issuer.

The conclusion in paragraph 7 is inconsistent with the Board's conclusions in FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). Paragraph 9(c) of FIN 45 provides an example of a community foundation guaranteeing the debt of a not-for-profit organization as a contribution and states that "...upon the issuance of the guarantee, the not-for-profit organization will have received the gift of the community foundation's credit support, which enables the not-for-profit organization to obtain a lower interest rate on the borrowing." If a credit enhancement is not an asset of the issuer, then I ask, what is the entry recorded by the not-for-profit organization for the transaction described in paragraph 9(c)? Credit contribution revenue, debit WHAT?

Thank you for consideration of my comments,

Susan Weiss Budak
sebudak@interactiveaccess.com