

LETTER OF COMMENT NO. 23 /

Sent:

Tuesday, March 31, 2009 4:59 Hivi

To:

Adrian Mills; Diane Inzano; Joseph Vernuccio; Kristofer Anderson; Mark Trench; Meghan Clark;

Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning

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

From: Marc Kingry [mailto:Marc.Kingry@centrue.com]

Sent: Tuesday, March 31, 2009 4:41 PM

To: Director - FASB

Cc: Kurt Stevenson; Tom Daiber

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

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

Via email: <u>director@fasb.org</u>

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

Dear Mr. Golden:

Centrue Financial Corporation 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 ("proposed FSP"). We commend the FASB's efforts to improve guidance relating to other than temporary impairment ("OTTI").

The FSP provides better guidance on the recognition of other-than-temporary impairment (OTTI) guidance for debt securities as it aligns with the guidance for impaired loans. The FSP appropriately separates the credit-related impairment from the impairment related to the other components. When it is probable that the holding entity will be unable to collect all cash flows due on the security, we concur that the credit component should be recorded in earnings as proposed. Moreover, for available for sale securities that are expected to recover the impairment that is related to other than credit, the other unrealized impairment for AFS is temporary and should be recorded in other comprehensive income as proposed verses current guidance which requires it to be posted to earnings.

The effective data should not be delayed. While the timeframe to adopt the FSP may seem short, given the significantly improved accounting model provided by the FSP and the fact that anticipated cash flow models are already developed for purposes of OTTI testing, he revised standard should be fairly easy to retrofit in to the process for interim and annual periods ending after March 15, 2009.

We believe the following recommendations will materially improve transparency, reliability and clarity:

- The final FSP should apply to securities with OTTI at the effective date. To do this, the FSP should include a one time "true-up" for securities with OTTI. This adjustment would be a cumulative one-time beginning balance for retained earnings and other comprehensive income. This would improve consistency and comparability in the reporting of information, thus, reducing possibility of confusing the reader of the information.
- More guidance should be provided on the "intent to sell" an impaired security terminology. There is already confusion from the prior guidance so the more information provided would help the implementation of the new approach.
- Again, the more clarity that can be given to the definition of "credit losses" would help facilitate the implementation as the prior guidance covered credit risk. The new FSP is referring to credit loss that needs to be recognized in earnings.

For the long term, guidance needs to be issued regarding that OTTI is not a permanent loss, thus, if the instrument recovers and the loss lessens over time that this should be able to be recovered through transactions for earnings.

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