

March, 19, 2009

Via Email: director@fasb.org

Mr. Russell G. Golden
FASB Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5166

File Reference: FSP FAS 157-e, FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

I am responding to your proposed corrections to FAS 157. The FASB has finally moved in the right direction. However, you must make some additional changes and improvements as noted below.

- The proposed corrections to FAS 157 must be permitted to be retroactively applied to December 31, 2008 financials if an organization wishes to voluntarily do so. Some may wish to apply the new standards effective for March 31, 2009 as drafted, but voluntary application at December 31, must be permitted. The application of the previous rules may grossly mis-state the financial statements in some institutions because of the dislocated financial markets. Please permit earlier application, but do not require it to be applied.
- I consider this proposed change a correction of an error or clarification of your previous “example” which became guidance and resulted in the application of high discount rates. It’s clear that the previous guidance was flawed, because it did not consider practitioner input nor did it consider the current market that we are operating in today. This new guidance is more appropriate.
- FASB has substantially improved its previous position on Other Than Temporary Impairment (OTTI) by permitting the estimated credit loss to be recorded through current earnings, and not requiring “exit value” pricing be used. Your guidance to permit additional flexibility is appropriate.
- FASB should allow for error correction or changes in judgments related to credit losses. As it stands today, you create a permanent and potentially substantial penalty by not permitting reversals on OTTI impairments. In today’s market place, few are focused on real intrinsic value, but all are focused on most conservative positions. Granted, you have improved the basis for making that determination as noted above, however, you have to agree that even the estimate of credit loss is a judgment (modeled results are always flawed because they have to make mathematical assumptions about the future) that can change

- with additional information, the passage of time, or as we have learned most recently, with government intervention. If you require that once an asset is written down, it can not be written back up to its original acquisition value, then you are causing additional future misstatements. If you require recovery accounting after impairment, and an undervalued asset returns full value over time, you effectively have created unrealistic high returns that distort the earned income and will lead to a lack of comparability in the financial statements. You must permit reversals of impairments in this new guidance and that guidance must also be applied back to financial statements ended December 31, 2008, because of the errors and the distortions created in the previous guidance.
- Please insert materiality back into this guidance. Again, these models are current predictions of future events and therefore flawed. They are based on gross assumptions about home values, foreclosure rates, recovery values, unemployment, etc. The values created change every time a report is generated, because the inputs are not static. Estimates of recovery are subject to many of the same assumptions. Therefore, you must permit more judgment in determining credit loss and pricing values within levels of materiality.
- I cannot give you additional advice or input on your guidance related to determining when a transaction is in a distressed market and when a market is "normal". Clearly we are in a distressed market today, and it will improve. I suggest that you provide as much clear guidance as possible, or continue to revise your definition related to determining "fair value", or there will continue to be angst over this pronouncement.

In my previous letters I have been harsh to the FASB for the many improper requirements included in the original publication and for delaying action as required by Congress in December. Your action with this proposed revision is commendable, with the above noted improvements. We are very grateful that these changes are being proposed.

Sincerely,



Thomas R. Graham
President and CEO
SunCorp Corporate Credit Union

Cc: Congressman Paul Kanjorski
Representative Ed Perlmutter, Congressional District #7, Colorado
Dan Mica, President and CEO, CUNA
Fred Becker, President and CEO, NAFUC
Brad Miller, President and CEO, ACCU