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Florence Harmon, Acting Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

File Reference: File No. 4-573

Dear Ms. Harmon:

On behalf of its member corporate credit unions, the Association of Corporate Credit Unions (“ACCU”) appreciates the opportunity to provide comments relating to the SEC roundtable discussion occurring on October 29<sup>th</sup>. The ACCU is the primary trade association for the nation’s corporate credit unions (“Corporates”).

Corporates are regulated and insured by the National Credit Union Administration (NCUA). As wholesale not-for-profit financial cooperatives, Corporates provide investment, liquidity, cash management, risk management, settlement, funds transfer, and numerous payment services as well as safekeeping and custody services to the nation’s federal and state-chartered retail credit unions. As cooperatives, Corporates are owned by their members, the retail credit unions across the nation.

As trusted financial solution and liquidity providers to the credit union system, Corporates maintain high quality assets in the form of loans to member credit unions, marketable debt securities, and other investments. Some Corporates hold large portfolios of agency and private label mortgage-backed securities. As a result, we are particularly interested in the discussions regarding fair values for these instruments in today’s illiquid market.

While Corporates are not an SEC registrant, they are impacted by SEC actions. We are concerned with the use of fair values based upon exit values in an inactive market when impairment exists that is deemed to be other-than-temporary. We are aware that the SEC has asked FASB to revisit current guidance related to other-than-temporary impairment under SFAS 115.

Fair value is defined as the exchange price in an orderly transaction between market participants. It is not intended to represent forced sales. However, FASB’s requirement for an excessive liquidity risk premium, as indicated in the example provided in FSP 157-3, amplifies the current distressed market conditions and their fire-sale prices in the calculation of fair value. In an inactive and dislocated market, when such premiums may be significant, we believe the only sellers that would accept pricing at these

levels would be sellers with no other options (i.e., forced liquidations or distressed sales). Marking to exit or fire-sale prices is essentially a liquidation value, which is contrary to the basic premise that financial statements are prepared as if the entity is a going concern.

The definition of fair value for held-to-maturity (HTM) and available-for-sale (AFS) securities, for which an entity has the intent and ability to hold until recovery or maturity, should be the realizable value of these securities. This change would place investors in debt securities on equal footing with entities that hold loan portfolios for investment. Securitized loans should not be treated differently than unsecuritized loans when the intent and ability to hold the investments is present in both cases and the underlying collateral is the same.

Realizable value measurement provides a better definition of fair value when recording losses that are deemed other-than-temporary in HTM or AFS securities and it represents a more meaningful measurement of the true economic condition of, and risks to the entity, thus lending transparency to the financial statements. AFS securities for which the investor represents the intent and ability to hold to recovery should be adjusted for credit risk if necessary, but should not include the severe liquidity risk premium contained in FASB's example in FSP 157-3.

This change would provide consistency to the different captions on the balance sheet and improve comparability among reporting entities. Recognition of distressed values in financial statements that are based on fire-sale prices distorts the economic reality of an entity's financial condition because these prices will not be realized by institutions that have the intent and ability to hold securities to recovery or maturity. Further, they create volatility in earnings that is not reflective of the true economic impact of the holdings.

In summary, for debt securities, a combination of realizable value recognition and exit price disclosure will provide stakeholders with more meaningful information about security holdings from both a credit and liquidity perspective. In an active market, fair value for securities closely approximates the realizable value. The valuation and OTTI guidance for securities should be similar to the guidance for loans and recorded at net realizable value. Securitized loans should not be treated differently than unsecuritized loans when the intent and ability to hold securities to recovery or maturity exists. Security valuations based on liquidation or exit prices should be disclosed in financial statement footnotes rather than recorded within the balance sheet.

These changes will provide stakeholders with the true economic impact of these holdings, improve comparability among reporting entities, and will more accurately reflect the financial condition of reporting entities. The ACCU appreciates the opportunity to comment on these important issues. If you would like to discuss any of these points, please feel free to contact me at (202) 508-6731.

Sincerely,



Executive Director