WESCORP
Expect more from us. We do.

October 24, 2008

VIA EMAIL: rule-comments@sec.gov

SEC
100 F Street, NE
Washington, DC

Re: Fair value accounting (SFAS 157)

To whom it may concern:

Western Corporate Federal Credit Union (WesCorp) is a corporate credit union and has a national field of membership serving 1,065 credit unions in 44 states, offering liquidity, balance sheet solutions and payment system services to its member credit unions. As a liquidity provider, marketable securities make up the bulk of our assets, which we use primarily as collateral for liquidity purposes, most of which are backed by residential mortgage assets. Specifically, we have total assets of $25.2 billion, of which $21.6 billion, or 86% of all assets, are held in marketable securities classified as either available-for-sale or held-to-maturity. As a federally-chartered credit union, WesCorp is regulated and insured by National Credit Union Administration (NCUA). While we are not an SEC registrant, we increasingly are impacted by SEC actions.

Corporate credit unions generally operate on very thin margins, and thus, tend to be risk adverse. All of our securities are high quality and were rated either AAA or AA at the time of purchase, with the vast majority (more than 90%) of purchases in the AAA category. We rarely sell securities, and instead elect to hold them until maturity regardless of their classification, although we do pledge them as collateral to support short-term funding needs. While we currently have recorded unrecognized losses of $1.8 billion as of September 30 based upon extremely unrealistic fair values in the market, these values are not in any way indicative of the true economic value of our portfolio as the fair values are heavily impacted by the distressed environment.

The recent FSP issued by FASB suggests that expected cash flows should include appropriate risk-adjusted discount rates to reflect credit risk and liquidity risk. In an inactive and dislocated market, when such premiums may be significant, we believe the only sellers that would that would accept pricing at these levels would be sellers with no other options (i.e., forced liquidations or distressed sales). The injection of severe credit and liquidity premiums in the determination of fair values contradicts guidance in paragraph 7, which states that orderly transactions are those which are '*not forced transactions (for example, a forced liquidation or distressed sale)"*. We believe incorporating severe credit and liquidity risk assumptions into the determination of fair values results in a price that is representative of a distressed sale, by definition, and thus does not comply with Paragraph 7 of SFAS 157.

We continue to monitor our portfolio closely for any other-than-temporary impairment and have seen the level of excess credit support in our security structures shrink as the

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We all owe some of our time to the upbuilding of the profession to which we belong. THEODORE ROOSEVELT

market continues to be impacted. We are particularly 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. Here is an example that is hypothetical, but nevertheless represents what we are dealing with:

Example 1 – Determining OTTI in a market that is not active

Say that Entity X owns a security with a par value of $100 million. Assume further that the security's fair value (using an exit price methodology) in a stressed and dislocated market environment is $93 million. If the entity performs best-practice, sophisticated analyses, taking into account the structure of the bond, including credit enhancements and excess spread, as well as the deteriorating economic environment, and assumes future stressed conditions, say further that probable losses over the life of the security are identified as being $500 thousand. Current guidance says that Entity X must recognize a loss through the income statement of $7 million rather than the true economic potential losses of $500 thousand.

In the example above, recording a loss of $7 million severely distorts the true financial picture of Entity X. Further, we do not believe recording value based upon an exit price methodology is even remotely meaningful if Entity X has no intent to sell the security in a distressed market environment and has the ability to continue to hold it. The only sellers that would agree to sell a security at such a distressed price would be sellers with no other options. Forcing an entity to record such a distorted loss through its income statement when it intends to hold it to maturity (representing the highest and best use of the security), is misleading and overly punitive.

Based upon a credit union conference we attended this week, it is very clear that our credit union members (or customers) are very nervous. At every session where the presenters were from NCUA (our regulators), credit unions were asking whether the corporate system was safe and whether they should pull their money out of the system. Several of our members indicated that their boards had suggested they withdraw their funds from the corporate system, but they had so far been able to convince their boards that the system was safe.

Based upon analysis of our portfolio and the quality of the securities we purchased, we expect that we will not have any significant economic losses in our portfolio. Our very great fear, however, is that if we are in a position where we have to record *any* other-than-temporary impairment, we will be forced to record unrealistic losses of a magnitude that will panic our members and will cause a run on deposits from which we might not recover. When accounting guidance creates distortions to the financial statements that have the potential to confuse and mislead readers regarding the economic condition of an entity and potentially cause business failure, then we believe there is something terribly wrong with the standards in place.

Unlike other financial institutions, corporate credit unions are mutual enterprise organizations and do not have the ability to raise additional capital as publicly-traded organizations may. Should the members of corporate credit unions lose confidence in the corporate system which causes deposits to be withdrawn in great numbers, we believe the entire corporate system may fail. Further, given the relatively small number of credit union members that make up the deposit base in the system, it would only take a few very large members withdrawing their funds to put corporates at risk. Consumer confidence is an all-time low and the recognition of unrealistic and distorted losses contributes to the significant risk of further financial institution failures by unfairly undermining confidence even when the fundamentals of the institution are inherently sound. As a system, our economic risk is very low. Rather it is the headline and consumer confidence risk that are our biggest risks in the current environment.

We urge you to reconsider current SFAS 115 guidance and the use of fair values using an exit price methodology that requires write downs to fair values when other-than-temporary impairment exists. While we believe it is entirely appropriate to recognize economic losses through the financial statements when they are present, we don't believe that the use of fair value, particularly in the current environment is a fair representation of the true economic condition of an entity. **We believe that similar to whole loans, net realizable value is a better measurement of other-than-temporary impairment of securities and more accurately represents the true economic condition of an entity**. Current guidance under SFAS 115 results in disparate treatment of the underlying loan assets of a mortgage-backed security. When such loans are packaged with credit enhancements and excess spread into a security, they are subject to much harsher accounting treatment in distressed markets than whole loans, even when the intent to hold until a recovery of value is the same. The impact of these disparate rules is especially significant to corporate credit unions, since the vast majority of assets owned are securities (rather than institutions that hold large loan portfolios). The accounting for securitized loans should not be more punitive than the accounting for whole loans, particularly when there are additional protections and enhancements in place that may actually make securitized loans less risky.

We respectfully request that a review of other-than-temporary impairment guidance under SFAS 115 and the use of fair values using an exit price methodology be commenced with haste, as we believe there may be further failures of financial institutions as result of current guidance between now and the end of the year. We believe the credibility of FASB is also at stake relative to this issue. While the use of fair values for other-than-temporary impairment may have been reasonable in a stable market environment, we believe that FASB needs to acknowledge the fact that this guidance in the current environment results in distortions in financial reporting that are harmful and do not fairly reflect economic reality.

If you should desire any further clarification on our opinions or wish to discuss any of the points raised herein, please feel free to contact Jim Hayes, Chief Financial Officer or myself at (909) 394-6300.

Regards,

Laura J. Cloherty

Laura J. Cloherty, CPA
Vice President, Controller