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October 27, 2008

Delivered via email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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:

Congress and the Securities Exchange Commission should leave no confusion between transparency and overt financial misstatement caused by the current application of SFAS 157.

The recent FSP issued by the Financial Accounting Standards Board and interpreted by ultra-conservative accountants, auditors and consultants will lead to continued financial misrepresentation if not real losses for shareholders, customers, lenders, and the general public.

An example:

A 20-year, \$25,000,000 AAA rated bond is analyzed. It is concluded that in the next 20 years, this bond *may* lose \$1,500 of principle or interest. Because this bond is now considered "impaired," the bond is marked to market at the current value, which is \$12,500,000, meaning a \$12,500,000 current earnings loss adjustment is required (for a *potential* loss of \$1,500 that may or may not occur within the next 20 years.) This bond is expected to return \$25,000,000 minus \$1,500 or \$24,998,500, plus the stated interest, but is now recorded at \$12,500,000. This is financial misrepresentation.

Continuing with the above example, let us assume that this bond was created from mortgages granted at a consumer based financial institution. The consumer based financial institution is required to "reserve" the above referenced \$1,500 of potential losses, but is not required to "fair value" the portfolio of mortgages like required by those holding the securities created by the mortgages. How can this double standard of accounting be justified?

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Forcing the lowest possible valuation and potential misstatement should not be confused with financial transparency. Transparency has to do with clarity or the ability to “see through” the information so appropriate decisions can be made. Transparency can and should be handled with additional disclosures related to the carrying values and their determination, not by the most draconian and conservative values that can be justified.

System United Corporate Credit Union (SunCorp) is a wholesale credit union providing investment and financial products to over 400 natural person member credit unions. SunCorp provides investments, financial and payment products and services to our members in Colorado, Utah, Nebraska and Wyoming. We hold approximately \$813 million in bonds and securities that were acquired at an AAA or AA rating. Our balance sheet is \$1.9 billion as of September 30, 2008. With sizable holdings of securities in this dislocated marketplace, we are interested in the determination of the fair value for these instruments in today’s illiquid market.

Given the unprecedented market conditions facing us today, simply clarifying the existing mechanics of fair value determination does not go far enough. The Proposed FSP should address the following in the definition of fair value:

1. For available-for-sale (AFS) securities where management has demonstrated the intent and ability to hold, the FSP should allow current severe liquidity risk premiums to be adjusted in the determination of fair value to levels observed during periods of normal market activity. Credit risk premiums should continue to be based on the best available information from market participants and not from the most conservative information found.
2. For held-to-maturity (HTM) securities, the FSP should allow, at a minimum, current severe liquidity risk premiums to be adjusted in the determination of fair value to levels observed during periods of normal market activity. This is of great importance when determining the amount of potential other-than-temporary impairment charges. Credit risk premiums should continue to be based on the best available information from market participants.

We believe that in light of the unprecedented market conditions that currently exist, consideration must be given to changing the current ultra-conservatism of auditors. Recently leaders of both Lehman and AIG noted the death-spiral that was created with the current perceived requirements of their accountants and auditors. The market is looking to the accounting estimates and the accounting estimates are looking to the markets creating an ever-lower valuation in a down market while over estimating valuation in a bull market.

For a fair presentation of fair values, the Proposed FSP should distinguish between two different categories of securities. With regard to AFS or HTM securities for which the investor has the intent and ability to hold to maturity or recovery, the focus should be fair values that reflect normal liquidity risk premium levels, not the

current "fire-sale" pricing or most conservative approach most often used. The FASB wants to contend that not all sales in today's market are "fire sale" prices. I cannot imagine that anyone would want to sell into this market today, unless they were forced to for liquidity, policy, or survivorship. Therefore, failure to distinguish or to allow for these normal liquidity risk premium differences will cause continued and further distortions in financial statement presentation. Undervaluing assets and lowering equity may create a distortion so great that management cannot agree to the representation required by independent auditors in the application of this pronouncement. Thus creating a dilemma between management, which is responsible for fair presentation, and auditors, for their independent opinions.

For trading securities and AFS securities for which the investor does not have the intent or ability to hold to recovery, the focus on incorporating the current severe liquidity risk premiums, may be appropriate.

Your urgent action on these clarifications is warranted.

Respectfully,

A handwritten signature in cursive script, reading "Thomas R. Graham".

Thomas R. Graham  
President and CEO  
SunCorp Corporate Credit Union