
Integrated Planning Strategies, LLC

Portfolio Management, Retirement Planning and Investment Advice

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

RE: File No. 4-573, FASB 157 request for comment.

I support relaxing the mark-to-market rules as an immediate solution to the liquidity crisis. However, I believe additional actions will need to be considered to restore faith in our financial system.

Disorderly markets are the result of banking institution's ability to push the limits when qualifying borrowers and securitizing financial instruments. In examining FASB 157, it is necessary to understand and separate the two events that have occurred. One is the result, the other is the cause. Each merits its own response. At its most basic level, the events are:

1. A once orderly market has become disorderly.
2. A scheme has succeeded in pricing risky assets as safer assets.

FASB Statement No. 157 was written to be applied only to assets trading in an orderly market. Clearly, no such market for these assets exists today. The assets that trade today are not between willing buyers and willing sellers. Today's sellers of assets are being forced to liquidate to preserve their solvency.

The mark-to-market accounting rule must be viewed as a two-edged sword. On one edge, and when applied to an orderly market, it provides critically needed transparency of an intrinsic asset's current fair market value. On the other, and when applied in an illiquid market or improperly evaluated security, it forces financial institutions to present intrinsically valued assets at a market price that may be more or less than the true worth of the asset's discounted cash flow. At the point of market disorder or deceit, mark-to-market accounting fails to provide transparency of fair value.

FASBs recent clarification (FSP FAS-157) of this rule does absolutely nothing to solidify any alternative valuation method. The S.E.C. has stated (press release 2008-234) that U.S. GAPP does not create "brite lines" or "safe harbors." Therefore, no rule or guidance provided so far provides relief to the problem or fosters trust for any alternative valuation method.

The current system of mark-to-market accounting should, at least temporarily, be formally relaxed or smoothed by the S.E.C. through an amortization process. A formal government rule is the only credible method of allowing financial institutions to mend their bleeding balance sheets, and thus begin the journey to restore faith in our financial system.

To completely remedy the problem, a reconciliation of a financial asset's true risk character should be sought. Our current system of valuing intrinsic assets is based on generally accepted time value of money concepts. These concepts, as used by the financial markets, are based on long-term cash flow assumptions and include an assumption about credit worthiness.

According to the principles of the time value of money concepts, temporary highs and lows within the business cycle should not greatly affect the long-term value of a 30-year-pool of assets if the asset pool was correctly evaluated and priced when issued. Orderly markets, transparency, and fair valuation depend on a trustworthy securitization process.

Assuming fair value pricing at issuance, large short-term fluctuations are generally irrational and often caused only by shocks to the system. An abrupt realization that some assets are not what they were thought to be has created distrust within our financial system. This distrust and mark-to-market accounting have led to an erosion of a once orderly market and a need to acquire and hoard capital. Potential deceit has exposed a flaw in mark-to-marked accounting.

In its current form, mark-to-market accounting is a *short-term mechanism* for adjusting the value of a *long-term asset*. Therefore, it is flawed. A long-term adjustment mechanism, such as a multi-year amortization process, would be more appropriate for long-term assets. In an orderly market, such a system would provide a valuation very close to the actual trading value in the market place. In a disorderly market, such a system could provide valuations very different from the actual trading value in the market place.

Assets with different risk characteristics merit different amortization periods. Even FASB 157 recognizes the need for a fair value system to include an "adjustment for risk." On a balance sheet, more risky assets should be allowed to fluctuate more than less risky assets. Therefore, an amortization schedule that allows adjustment in accordance with its risk classification should be used when adjusting an asset's book value. Under the current liquidity crisis, a properly designed amortization process could allow high quality assets to bleed slowly, while still allowing the pricing of toxic assets to deteriorate relatively quickly.

In the Government's analysis of the current situation, it is critical to consider whether the fundamental systems (judicial, government, economic, financial, political, utility, transportation, etc.) of the United States of America have changed in such a way to merit a quick mark-to-market accounting system for hard to value assets. I would argue the sun is going to rise tomorrow and with it people across this nation are going to seek to better themselves and the lives of their families. This American desire to improve oneself will go on with or without a trusted financial system. The other critical systems of our first world society are believed to survive and so our nation has hope of continuity. As a result, I would argue the

current crisis is ultimately a short-term event and not one that merits the abrupt mark down of asset values.

The abrupt realization of securities packaged and sold under potentially deceitful means is a separate, yet linked, issue from the appropriateness of mark-to-market accounting. Separate in that if a misrepresentation has occurred, it is a judicial issue, not an accounting system issue. It is linked in that the alleged deceit has exposed errors in fair value accounting systems.

If laws have been broken, any and all swindlers should be punished. This means untangling what occurred in relation to what Congress and banking and securities regulators legally allow to occur. This reckoning is the long-term solution to correcting, modernizing, and restoring faith in our financial system. Unfortunately, the legal response does not provide the immediate remedy needed by balance sheets that inappropriately bleed capital.

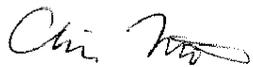
As a first step in correcting the financial crisis, I support the development of a better system of classifying assets according to their risk level and determining an amortization technique appropriate for each risk class. To stabilize financial institution balance sheets, a system should allow high quality assets to realize their value adjustment over a longer period of time than more risky assets. In addition, some asset types may be deemed too risky to be held by our nation's banking institutions. Finally, to maintain transparency, the current market value of all assets should be required to be disclosed on a separate fair value financial statement.

Like mark-to-market accounting, amortizing a financial asset's gain or loss is a two-edged sword. Ultimately, it works to stabilize balance sheets. During times when intrinsic assets are appreciating, it hinders financial institutions from leveraging gains. During times when intrinsic assets are declining in value, it allows financial institutions time to work out problems and solutions to the under capitalization of the financial institution. Amortizing gains and losses works to stabilize our country's financial system. For this reason, I support immediately relaxing the mark-to-market account rules and modernizing our banking and securities underwriting regulations in an effort to restore faith in our financial system.

To correct the credit crisis, I support taking several steps, some of which may be beyond the scope of the S.E.C. I ask you to consider:

1. Immediately relaxing the mark-to-market rules through an amortization technique.
2. Requiring fair value reporting on a separate financial statement.
3. Revising the list of securities eligible for acquisition by banking institutions.
4. Developing minimum standards for various risk classes of assets held by banks.
5. Determining if any asset securitization or solicitation laws have been violated.

Regards,



Christopher L. Matteson