

November 7, 2008

Ms. Florence E. Harmon
Acting Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington DC, 20549

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Ms. Harmon,

On behalf of the more than 35,000 members of our respective professional appraisal organizations, we are writing to express our strong support for the underlying tenets of fair value accounting and urge you to use your authority judiciously as it relates to Financial Accounting Statement (FAS) 157. Investors deserve to understand the current market value of assets reported by companies on their financial statements, and FAS 157 is consistent with this goal, helping to provide definition or measurement of fair value.

Our organizations believe it is critical for the financial markets to go back to basics, particularly as it relates to the value of the underlying collateral backing commercial paper. We believe many of the write downs that are being taken by financial institutions are excessive when compared to the value of the underlying collateral within the securitized loan pools. As an example, a \$100 million loan pool may be written down by 60-70 percent as it relates to the commercial paper, when the underlying assets may have declined significantly less. However, without knowing the value of the underlying collateral, no prudent judgment can be made on this issue. As a result, investors, regulators, and others are often forced to render unsupported and likely excessive write down estimates, which could in turn lead to further eroded of property prices across the country.

Accomplishing the objective of valuing the assets within a loan pool is not difficult for qualified appraisers. It is not necessary to value every asset within the loan pool, although that may be preferable. Instead, a valid sampling of assets will in most cases suffice. We believe conducting such analysis is prudent and that it will help bring back normalcy to the market. Further, unlike the valuation of financial assets in illiquid markets, non-financial, real estate assets can be valued to fair value by qualified real estate appraisers. For instance, qualified real estate appraisers can apply standard or residual valuation techniques to develop credible and reliable opinions of value on virtually all property types – even in inactive markets. We believe the services of our members can provide cost effective solutions to the current credit crisis. Our organizations stand ready to assist you in this effort.

Yet, we understand there are many concerns about the application of FAS 157 in the current market. Great concern has been expressed in recent weeks about the impact fair value has had on the current credit markets. Banking organizations and others have expressed opposition to applying fair value rules to financial assets, or commercial paper. Fair values as it relates to performing financial assets are said to overstate declines in value, ultimately, restricting credit availability. We agree that unsubstantiated write

downs of performing commercial paper place the banks in a precarious position, forcing additional capital reserves. Speculative pricing of commercial paper in the bond market is simply not helping stabilize the banking system. We believe that a fresh valuation of the underlying collateral backing the commercial paper would help alleviate many of the current concerns being expressed about mark-to-market accounting.

As your organizations investigate this issue, we urge you to uphold FAS 157 as you review its applicability to financial assets. Further, we encourage you to investigate the benefits of understanding the value of the underlying collateral that secure the financial assets. To accomplish this, we encourage you to recommend that the preparers of financial statements turn to local real estate appraisal specialists. If needed, we can help organize systematic procedures to accomplish valuation audits of the assets.

Finally, if your agencies opt to suspend FAS 157 for any reason, we urge you to limit this suspension to intangible asset classes. FAS 157's applicability as it relates to tangible, hard assets like real estate is sound, even in markets with limited information.

There are many issues and concerns to work through as the United States moves to a value-based accounting system, but this is an endeavor our organizations stand ready to address. The professional real estate appraisal community is already helping to bring the body of knowledge of our profession to the forefront as it relates to FAS 157, and other accounting standards already in place and use today, including *FAS 141(r) – Business Combinations*, *FAS 142 - Goodwill and Other Tangible Assets*, and *FAS 144 - Accounting for the Impairment or Disposal of Long-Lived Assets*.

It would be our pleasure to work with you on these issues. Should you have any questions or require any additional information, please contact Bill Garber, Director of Government and External Relations at 202-298-5586, bgarber@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Farm Managers and Rural Appraisers