

March 9, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Spencer Bachus  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

The undersigned business organizations and institutions represent entities from all sectors of the economy and areas of the financial services industry.

The United States and the global economy have undergone a period of almost unprecedented strain and challenge. The falling prices of real estate related assets have ground the securitization markets to a halt, dried up liquidity, and frozen credit availability. The resulting illiquid and non-functioning markets and related impacts have cascaded throughout the economy, causing severe market dislocations and job losses.

While there are many causes for this crisis, the procyclical impacts of certain mark-to-market accounting principles have exacerbated the situation. Accounting rules did not cause this crisis. However, the inability of businesses, investors, and government to properly value assets in disorderly markets has created uncertainty and a loss of confidence that has led to a self-reinforcing cycle of write-downs and further economic contractions.

We recognize that accounting standards should be developed and governed by the appropriate bodies. Further, we believe the appropriate course is not the wholesale abandonment of appropriate application of fair value accounting principles, but rather the immediate correction to better principles-based financial reporting. Each of our organizations has jointly or individually proposed short-term and long-term solutions to the unintended consequences that have arisen from the application of mark-to-market accounting standards. While the Securities and Exchange Commission (“SEC”) and the Financial Accounting Standards Board (“FASB”) have taken some incremental action to facilitate the use of mark-to-market accounting in disorderly markets, the scope of the changes has not been adequate, nor has the pace been consistent with the crisis conditions that exist.

With the upcoming subcommittee hearing on mark-to-market accounting, we write to you today to express our concerns for the need to correct the unintended consequences of mark-to-market accounting. We do not ask that Congress write accounting rules. Rather, it is incumbent that the appropriate bodies understand that a pace of business-as-usual is unacceptable. Let us be clear, real economic losses should be recognized and are necessary for orderly markets. However, the recognition of losses that do not have a basis in economic reality is unsustainable in any environment. Appropriate changes in mark-to-market accounting should not wait until mid-year or year-end. That will only allow the spiral of accounting driven financial losses to continue.

Our hope is that these hearings ask the tough questions and stimulate immediate action that makes necessary adjustments in both the accounting treatment and guidance so that economic recovery is not impaired by the application of flawed rules. We stand ready to work with all willing participants to bring about this goal in a rational and expeditious manner.

Sincerely,

American Bankers Association  
American Council of Life Insurers (ACLI)  
American Financial Services Association  
Certified Commercial Investment Member Institute  
Commercial Mortgage Securities Association  
Commercial Real Estate Development Association (NAIOP)  
The Council of Federal Home Loan Banks  
Financial Services Roundtable  
Group of North American Insurance Enterprises  
Independent Community Bankers of America  
Institute of Real Estate Management  
International Council of Shopping Centers  
Mortgage Bankers Association  
National Association of Home Builders  
National Association of Realtors  
Pennsylvania Association of Community Bankers  
Property Casualty Insurers Association of America  
Real Estate Roundtable  
The U.S. Chamber of Commerce  
Federal Home Loan Bank of Atlanta  
Federal Home Loan Bank of Boston  
Federal Home Loan Bank of Chicago  
Federal Home Loan Bank of Cincinnati  
Federal Home Loan Bank of Dallas  
Federal Home Loan Bank of Des Moines  
Federal Home Loan Bank of Indianapolis  
Federal Home Loan Bank of New York  
Federal Home Loan Bank of Pittsburgh  
Federal Home Loan Bank of San Francisco  
Federal Home Loan Bank of Seattle  
Federal Home Loan Bank of Topeka

Cc: The Members of the House Committee on Financial Services