

June 1, 2009

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Ave., NW  
Washington, DC 20220

Re: Accounting Changes under FAS 140 and FIN 46(R)

Dear Mr. Secretary:

We write to you today, both in your capacity as Secretary of the Treasury and Chairman of the President's Working Group on Financial Markets. As you well know, the turmoil in our financial system has required policymakers to carefully consider and address many difficult issues in order to provide stability and to restore the flow of credit and other important services for consumers and businesses. As international regulators and policymakers continue to examine the state of our financial regulatory structure and contemplate improvements, revisiting accounting standards is an important component to promoting confidence in our markets through transparency and disclosure. Such changes must be made cautiously and seek to minimize any chilling effect on our frozen credit markets, which policymakers are working extremely hard to address. In this regard, we urge you to approach significant changes to accounting standards – such as “FASB Statement 140 and Interpretation 46(R)” – with the appropriate deliberation and coordination to ensure the creation of the most accurate accounting standard that can be implemented with minimal harm to consumers and the overall economy during this challenging time. Additionally, we urge policymakers to address this issue through a joint project with the International Accounting Standards Board (IASB) so that changes are consistent with efforts underway to converge and harmonize international accounting standards and that implementation for the securitized credit markets would occur only once and with limited disruption.

The undersigned groups represent entities from all sectors of the U.S. economy, including borrowers, lenders and investors, among others. Accordingly, our constituencies are well acquainted with the unprecedented difficulties this segment of the economy has experienced, and continues to face, in recent months. As policymakers implement several measures aimed at providing liquidity and facilitating lending, as well as other changes to accounting standards, we must ensure borrowers are able to get the credit they need to purchase or refinance a home or business, receive a student or car loan, or to protect their financial future, among other important services. Our members understand firsthand how the credit crisis has created a domino effect that impacts consumers and businesses that provide jobs and serve local communities, and we are committed to working with you on solutions that will strengthen our financial system and overall economy.

The current proposals by the Financial Accounting Standards Board (FASB), known as proposed changes to FAS 140 and FIN 46(R), will undoubtedly impact both the U.S. financial sector and securitized credit markets – which provide substantial financing options to consumers and businesses. The amended FAS 140 will provide accounting guidance on when a sale of a financial instrument has occurred and how to account for the sale. The amended FIN 46(R) will provide guidance on when a securities issuer, B-piece buyer or servicer needs to consolidate the securities and liabilities on its balance sheet. Today, the \$9 trillion U.S. securitization markets (including commercial and residential mortgage loans, student loans, credit cards, etc.) currently do not “consolidate” the issuing entities used in securitizations, but the proposed changes could require consolidation by many if not all of these entities, which will impact capital and liquidity necessary for lending and other important services. In turn, these changes will affect U.S. financial institutions and the secondary markets that fuel borrower access to credit.

It is crucial that policymakers and market participants fully examine all policy options and consider the far-reaching implications of these changes for the securitized credit markets, consumers and our overall economic recovery. As the Administration highlighted during their recent announcement on the Financial Stability Plan, "Because this vital source of lending has frozen up, no financial recovery plan will be successful unless it helps restart securitization markets for sound loans made to consumers and businesses – large and small." Similarly, "The Group of Thirty," chaired by former Federal Reserve Chairman Paul Volcker, has directly addressed improvements to securitization accounting, concluding that, "It is important, before they are fully implemented, that careful consideration be given to how these rules are likely to impact efforts to restore the viability of securitized markets."

We wholeheartedly agree with these statements and urge policymakers to ensure that any sweeping accounting changes are appropriate and not untimely, and that they do not exacerbate the current economic issues facing American households and businesses. Further, in light of FASB's adoption of new and interim disclosure guidance in December, we believe the timing and scope of any future changes should be consistent with efforts to converge and harmonize international accounting standards, a stated goal of the G-20 and accounting policymakers already underway. Coordination among all interested parties, including the IASB, is critical to providing certainty and confidence in our markets, while avoiding the implementation of several different versions of the same standard in a short period of time. Lastly, any effective date should allow sufficient time for reporting entities to address the substantial operational complexities associated with implementation, including the potential inability to access the information necessary to do so.

Ultimately, policymakers, market participants and our overall financial markets will benefit from deliberation and greater understanding of any such changes, as well as the creation of a single international standard that can be implemented simultaneously and with limited disorder. Most important, it is imperative that all policymakers and market participants have an opportunity to consider and deliberate on policy options and ramifications to ensure that the timing and scope is in the interest of consumers and our overall economy.

We appreciate your consideration and stand ready to assist you.

Sincerely,

Commercial Mortgage Securities Association  
Council of Federal Home Loan Banks  
Group of North American Insurance Enterprises  
International Council of Shopping Centers  
Mortgage Bankers Association  
NAIOP, the Commercial Real Estate Development Association  
National Multi Housing Council  
National Apartment Association  
National Association of Homebuilders  
National Association of Real Estate Investment Trusts  
National Association of Real Estate Investment Managers  
Property Casualty Insurers Association  
The American Council of Life Insurers  
The Financial Services Roundtable  
The Real Estate Roundtable  
U.S. Chamber of Commerce

cc: Ben S. Bernanke, Chairman, Federal Reserve Board of Governors  
Mary L. Schapiro, Chairman, Securities and Exchange Commission  
Gary Gensler, Chairman, Commodity Futures Trading Commission  
John C. Dugan, Comptroller, Office of the Comptroller of the Currency  
Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation  
John E. Bowman, Acting Director, Office of Thrift Supervision