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**To:** Director - FASB  
**Subject:** Mark to Market



LETTER OF COMMENT NO. 9

2008

December 24,

Dear FASB Members.

The mark-to-market rule as currently practiced has an enormous pro-cyclicality effect which distorts and obscures fair market values, exactly the opposite of what the rule is intended to do. Worse, it creates economic dislocations in many industries, hardly a legitimate accounting function. Clearly, modification of the rule to reflect a more rational and useful valuation system is in order now and before extending the rule.

The bulk of the specific problems with the rule occur in valuing assets in cyclical industries, notably real estate, but also including various financial instruments. It would seem rational to dampen the highs and lows of material cyclical variations in value based on averaging the normal historical cycle of various asset classes. What is a material cyclical variation? In my opinion it would be frequent variations of 10% or more YoY; others may differ on the exact percentage and definition.

One could legitimately suggest averaging annual values in a running five or seven year cycle for the residential real estate industry - or some other reasonable number of years to capture the cycle. The point is, remove the economic "leverage" which day-by-day mark-to-market has in making boom times more buoyant and bad times worse. In effect, using the last sale to mark-to-market often involves using the cyclical outlier values and near-outliers, not truly reflecting the overall market but, rather, abetting raw gambler speculation well beyond thoughtful economic risk-taking.

Thank you for considering these views.

Sincerely,

Jeff W. Napier  
(Retired lawyer, banker and businessman)