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Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 268

Re: Valuation of Mortgage Securities

Dear Sir;

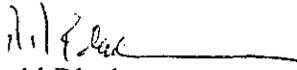
The FAASB has asked for public comment on a proposal to "loosen the rule regarding when financial firms must book losses on lower-rated mortgage-backed securities, commercial-backed securities, and certain other structured securities" [WSJ today]. I am a retired stock broker [series 7 license].

It is likely that this possibility is in response to all the howling that is current about mark-to-market policies. It is easy to understand why banks, insurance companies, and other financial institutions want to delay facing the reality of deteriorating values in their portfolios. But to allow managements of such firms to determine and report an "eventual real value" or the original cost is akin to letting the prisoners run the jails: management will lean heavily toward improving their financial reports.

The purpose of a balance sheet is to advise owners of the value of the assets of their entity as of a certain date. Further, it is to allow investors to determine the net worth of their investment on that date. Let management fudge the figures, and you deprive the owners of a reasonable representation of where the business stands. And you put the CPA auditors in the awkward/untenable position of looking the other way when they affirm that these statements reasonably present the condition of the business.

Please look at this issue from the point of view of the owners, who need and want realistic reports.

Sincerely yours,


David Black