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LETTER OF COMMENT NO. 80

**A32F (new)**

Alternatively, this entity could determine that a sustained rate of decreasing home prices is 5% annually and project an annual increase in default rates of 10%. This should develop a conservative risk-adjusted cash flow of both foreclosure proceeds and normal mortgage payments. These streams of anticipated income (net of associated expenses) would then be discounted using a current low-risk rate. It may be appropriate to also provide less conservative figures, including a best-estimate version, so readers have information from which they can estimate the condition of the entity using their own level of conservatism. If an entity is significantly at risk for liquidity problems in the next three years this approach may not be used in the formal balance sheet but may be made available in a commentary on how results might have changed had this method been used.

**Paragraph 12**

This could end with "An entity may provide hypothetical revisions to the most recent statement as if these approaches had been clearly available at such time; such information must include the extent to which such revisions have been audited and should include enough information so the intended audience understands any limitations inherent in the new figures. Also, whenever a Level 3 perspective has been used the impact of using Level 2 numbers must be presented at least in the balance sheet with appropriate commentary on the sources and relative advantages of each perspective.

These were my personal comments. Excessive conservatism in this case could allow the current negative feedback loop to continue unnecessarily. Too little conservatism would of course also be irresponsible. Balance is needed.

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