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April 17, 2007



Financial Accounting Standards Board
Norwalk, Connecticut

LETTER OF COMMENT NO. 66

By e-mail to director@fasb.org

Invitation to Comment: Valuation Guidance for Financial Reporting
File Reference: 1520-100, issued January 15, 2007

The Appraisal Institute would like to take this opportunity to respond to your Invitation to Comment: Valuation Guidance for Financial Reporting. We think that the Financial Accounting Standards Board should be commended for its outreach on this very important issue. Given the current global economic environment, we agree that there is a real need for convergence, transparency and standards in financial reporting.

For 75 years, the Appraisal Institute has strived to elevate the real estate valuation profession and protect the public interest. We are keenly aware that other valuation organizations are also interested in working together as a cohesive force to achieve these goals. In this regard, the Appraisal Institute, the American Society of Appraisers and the American Society of Farm Managers and Rural Appraisers have recently embarked on efforts that would unify the three organizations. It is time that all interested parties come together on an expedited basis to establish the best practices in valuation for financial reporting to best serve the investment community and thus benefit the public. As to your questions, we have prepared the following responses.

Question 1 - Is there a need for valuation guidance specifically for financial reporting?

Because existing valuation guidance is universally adaptable and comprehensive, addressing all valuation disciplines, there is no need for valuation guidance specifically for financial reporting. Valuation guidance is principle-based, as it should be, rather than rule-based. Through continued refinement and clarification, existing valuation guidance could be developed into standards that are sufficient to result in consistent financial reporting.

A strong foundation has been laid by the work of the International Valuation Standards Committee (IVSC) through the promulgation of the International Valuation Standards (IVS). These standards have been adopted by international valuation organizations and should serve as a basis for implementation of guidance specifically for financial reporting. Recommendations from The Appraisal Foundation provide input to the International Standards and guidance for the valuation community in the United States. Both organizations represent valuers from all disciplines and have groups working

on standards for valuation for financial reporting. Each organization's working group chair serves on the other organization's committee, which allows for convergence of thought and process.

Question 1 (a) - Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

It should be a combination of both. The valuation guidance should be specific enough that, given a certain fact pattern, valuation professionals and the financial community would have a similar interpretation of the standards, resulting in uniform and consistent application of the appropriate valuation principles. The guidance should be flexible enough to permit the valuation experts to choose among various models and techniques in a particular situation. Given the complexity of certain issues, detailed implementation would be recommended to eliminate uncertainty and inconsistency. The guidance should promote complete disclosure and transparency and remove biased and/or interested parties from the valuation process.

Question 1 (b) - What should be the duration of any valuation-guidance-setting activities?

It is our opinion that a permanent, ongoing process should be established to provide guidance as new issues continue to arise. We live in an evolutionary, dynamic economic environment and much of our valuation work recognizes the principles of anticipation and change. In order to establish a framework for clarification and consistency, we would advocate for a permanent process. We would recommend a decision-making body empowered to develop opinions and recommendations consistent with the actions of the ever-changing marketplace.

Question 2 - What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?

We are of the opinion that existing valuation organizations of all disciplines should have an active participatory role in the establishment of the valuation guidance. We believe that an inclusive environment of all constituents would best serve the public interest. However, we agree that the principal standards setter should not be a member-based organization or a body that could be influenced by any particular political or special-interest agenda. We believe that the independent standards setter should be composed of valuation professionals who are knowledgeable regarding the intricacies and nuances of the practice; such individuals would be the best resource to guide and assist in the establishment of the valuation guidance. With adequate FASB/IASB input and interaction, the existing valuation standards setters (IVSC internationally and TAF in the United States) are well equipped to provide valuation guidance.

Question 3 - What process should be used for issuing valuation guidance for financial reporting?

We recommend that a separate permanent standards setter issue valuation guidance with input and participation from the FASB/IASB and the SEC as discussed in ITC paragraph 20. The IVSC is the global standards setter for valuation standards. That entity is in the process of restructuring to move from an member-based organization to one that is a truly independent, non-government standards setter and includes input and support from all stakeholders having an interest in valuation. This includes domestic valuation standards setters such as The Appraisal Foundation in the United States. Under the auspices of the Madison Agreement, IVSC and The Appraisal Foundation have begun the

process of converging their standards to eliminate differences and develop a single set of robust valuation standards.

Question 4 - Should the process of valuation guidance be on an international or national level?

It is our recommendation that valuation guidance be undertaken on an international level. Given the atmosphere of convergence, it seems illogical to develop standards that would not be applicable on an international basis. Domestic standards should follow the general guidance of the International Standards, allowing for differences required by domestic rules, regulations or laws. The groups need to work together as do FASB and IASB.

Other potential issues

We believe that it is imperative that the valuation disciplines coordinate their activities for financial reporting. The valuation and accounting professions need to enhance the synergy between the professions to better understand their respective needs and reporting requirements. Only in this way can they serve the public good. We hope to have the opportunity to work with AICPA on issues regarding financial reporting to meet the requirements set by the Financial Accounting Standards Board.

We thank you for this opportunity to voice our opinions. We welcome the opportunity to continue in this public discussion and look forward to attending the Roundtable to be held in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry R. Dunkin". The signature is fluid and cursive, with a prominent initial "T" and "D".

Terry R. Dunkin, MAI, SRA
President