



February 15, 2012

Ms. Susan M. Coster
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File References No. 2011-210 and 2011-200

Dear Ms. Cospier

The Mortgage Bankers Association¹ (MBA) appreciates the opportunity to comment on the two related proposed accounting standards updates: 1. Real Estate – Investment Property Entities (Proposed Update to Topic 973) and 2. Financial Services – Investment Companies (Proposed Update to Topic 946) (collectively the Proposed Updates). The following letter contains MBA’s general comments on the Proposed Updates and specific responses to FASB’s questions in the Proposed Update to Topic 973. In many cases, MBA broadened its responses to FASB’s questions in the Proposed Update to Topic 973 to include responses to Proposed Update to Topic 946 as well.

Background Information – Real Estate – Investment Property Entities

Under current U.S. generally accepted accounting principles (GAAP), an entity that invests in real estate properties but is not an investment company under Topic 946 is required under Topic 360 to measure its real estate properties at cost. Real estate held by an investment company is required to be carried at fair value.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA’s Web site: www.mortgagebankers.org.

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Under international financial reporting standards (IFRS), entities presently have an option to measure real estate properties acquired for investment purposes at fair value. Specifically, IAS 40, *Investment Property* (IAS 40), permits entities to choose either a fair value model with changes in fair value recognized in profit or loss or a cost model, where the reporting entity must disclose fair value. As part of the FASB's and the International Accounting Standards Board's (IASB) joint project on accounting for leases, the IASB decided that if a lessor measures its investment properties at fair value, it would not be required to apply the proposed lessor accounting requirements.

The Proposed Update to Topic 973 appears to be intended by FASB to provide fair value accounting to a broader spectrum of real estate investments in order to offer similar relief to GAAP reporting entities under the proposed lease accounting rules.

Background Information – Financial Services – Investment Company Entities

Under the Proposed Update to Topic 946, entities which qualify under the Investment Company Act of 1940 or those which meet all the criteria specified in the proposed update would qualify as investment company entities. Under the proposal, an investment company is required to consolidate another investment company entity or investment property entity if it holds a controlling financial interest in the entity in a fund-of-funds structure and would retain the specialized accounting guidance. A noninvestment company parent does not retain the specialized accounting guidance. An investment company that is able to exercise significant influence over another investment company is required to account for its interest at fair value instead of the equity method. The Proposed Update to Topic 946 also requires additional disclosure regarding expense ratios (with and without consolidated investment companies) as well as reports of activity and reconciliations of expense ratios.

MBA's General Comments

The Proposed Updates Would Not Lead to International Accounting Standards Convergence: The stated long-term goal of the SEC, the G20 group, FASB and the IASB is for international accounting standards convergence. Although the Proposed Updates would appear to move in the direction of convergence with respect to the lease accounting standard (all investment properties measured at fair value through the income statement would not have to be accounted for under the proposed lessor accounting rules), the reality is that unless there is convergence with respect to which investment properties must be accounted at fair value, GAAP and IFRS are still going to be materially different.

The Proposed Updates would in fact create a multitude of accounting differences among various real estate entities that are performing essentially the same activities and services depending on how they are organized for tax or other non-GAAP purposes.

Disparate Treatment of REITs: As an example of how the Proposed Update to Topic 973 could create different accounting treatment for basically the same business of holding investment properties, the application of the Proposed Updates to REITs is especially poignant.

One of the five criteria that must be met in order to qualify as an investment property entity is:

Nature of the business activities. Substantially all of the entity's business activities are investing in a real estate property or properties.

There are three types of REITs: equity REITs that invest in real estate assets, mortgage REITs that invest in mortgages on real estate assets, and hybrid REITs that invest in both real property and mortgages. A hybrid REIT would likely carry real property at cost because it also invests in mortgages, while an equity REIT may possibly (see second criteria in the succeeding paragraph) carry real property at fair value under the Proposed Updates.

The second criterion is also troublesome:

Express business purpose. The express business purpose of the entity is to invest in a real estate property or properties for total return including an objective to realize capital appreciation, for example, through disposal of its real estate property or properties.

Equity REITs primarily invest in real estate properties to maximize returns by renting to tenants which creates a total return investment including capital appreciation; however, there are significant limitations in the tax code as to how many sales of property an equity REIT may make. Thus, an equity REIT may not qualify as an investment property entity which would put the equity REIT on an un-level playing field with regard to other investment structures with respect to eligibility for fair value accounting.

MBA not only finds this criterion problematic for equity REITs, but for real estate funds in general. MBA does not understand the need for an express exit strategy especially when the proposed guidance notes that disposal only during liquidation or to satisfy investor redemptions are not exit strategies. If the fund were a closed-end fund which has a finite life, the exit strategies would likely exist. However, a typical open-end real estate fund may not have a date certain for winding down, and therefore would not have more specific exit strategies. The funds invest with the intent to have the operating earnings as well as the capital appreciation which would be realized with execution of new leases, etc. Investors realize market appreciation as they move in and out of the fund and are buying or selling shares at current value, which would mean they are receiving income based on both operating income and capital appreciation. If a fund would not qualify as an investment property entity because of the lack of an exit strategy for its assets, the fund would end up having to keep two sets of books as the investors

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would still want the financials they receive to be on a fair value basis thus creating an unnecessary cost to maintain two sets of books for the fund.

Simple Rules-based Accounting May Not Capture the Complexity of the Real Estate Investment Market: Real estate is a unique asset and investment opportunity that comprises a major component of the United States' wealth. Real estate investment is currently experiencing great changes on many fronts, including regulatory changes imposed on its participants which will impact the industry in ways yet unknown and will impact what roles its participants will continue to play. Income producing properties, due to their long useful life and the availability of nonrecourse financing, allow investors to invest in a variety of ways for the same exposures but in a very dynamic environment where tenants, tenant arrangements, financing arrangements and capital appreciation opportunities are constantly changing. Applying the variety of accounting regimes supported by the Proposed Updates has the potential to create great discrepancies in reporting the same activities and will increase the cost of reporting without the added benefit of true international accounting convergence or the greater dissemination of needed data to investors, creditors, regulators and other market participants.

MBA's Recommendations

MBA believes that FASB should consider converging with IFRS with regard to investment property entities by allowing a fair value option for investments in real estate. For those electing cost measurement not fair value measurement, fair value disclosures should be required, as they are in IAS 40. This would allow management to choose the measurement they believe best reflects the business model while still providing pertinent fair value information to users of the financial statements.

Investments which would otherwise not qualify as investment property would be evaluated under the proposed investment company entity guidance. However, MBA believes that guidance as proposed would also result in inconsistencies in application and reporting. Specifically, the requirement that an entity qualify under the 1940 Act or meet all of the proposed criteria will result in some entities which have been considered investment companies in the past to be disqualified from that classification, thus requiring the entity to maintain two sets of books. Conversely, MBA believes that some entities which historically have not been accounted for as investment companies may be scoped into investment company accounting, requiring unnecessary additional costs. MBA believes that the FASB should develop a principles-based approach to determining an investment company entity. Those principles should be consistent with the nature and business purpose criteria which require that an entity invest for the purpose of capital appreciation, investment income or both. Criterion such as unit-ownership, pooling of funds, and fair value measurement may be indicative of an investment company entity but should not be absolute requirements in order to qualify as an investment company. MBA believes a more principles-based approach to

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defining an investment company entity will result in more consistency in accounting for and reporting investment company entities.

MBA notes that there have been few practice issues or problems related to investment company accounting in the United States. There is an absence in IFRS of specialized accounting for investment companies. For purposes of international accounting convergence, the IASB should broaden IAS 40 to include specialized accounting for investment companies.

MBA appreciates the opportunity to share its observations with you. Any questions about MBA's comments should be directed to Jim Gross, Vice President Financial Accounting and Public Policy and Staff Representative to MBA's Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org or George Green, Associate Vice President for Commercial/Multifamily, at (202) 557-2840 or ggreen@mortgagebankers.org.

Sincerely,



David H. Stevens
President and Chief Executive Officer

c.c. Mr. Hans Hoogervorst, Chairman of the International Accounting Standards Board

Appendix A

MBA's Responses to FASB's Specific Questions in Update Topic 973

Scope

1. The proposed amendments would require an entity that meets the criteria to be an investment property entity to measure its investment property or properties at fair value rather than require all entities to measure their investment properties at fair value. Should all entities measure their investment properties at fair value or should only an investment property entity measure its investment properties at fair value? Why? Is fair value measurement of investment properties operational? Please describe any operational concerns.

MBA's Response: MBA believes that requiring an entity to meet the criteria to be an investment property entity as a prerequisite to measuring its investment property at fair value will lead to greater discrepancies in accounting between real estate entities. REITs that maximize returns on real estate by renting to tenants are also an investment vehicle that should be allowed the option to use the fair value approach to value their properties; however, as noted in MBA's general comment above, REITs are limited by the tax code as to how many sales of properties they can conduct. Yet REIT investors are still looking for them to maximize real estate values just as an investor in an "investment property entity" is looking to maximize its returns on real estate. Income producing properties, due to their complexity and long lives, and their exposure to the capital markets and the real estate markets do not always enhance their value through sales.

As stated in MBA's general comments above, MBA believes that the FASB should consider converging with IFRS on this issue by allowing a fair value option for investments in real estate.

2. The proposed amendments would require an investment property entity to measure its investment property or properties at fair value rather than provide an option to measure its investment property or properties at fair value or cost. Should fair value measurement of investment properties be required or permitted? Please explain.

MBA's Response: See answer to question 1 and general comment, *Simple Rules-based Accounting May Not Capture the Complexity of the Real Estate Investment Market*, above. MBA believes that for true international accounting convergence on this issue, that entities should have an option. However, MBA believes that all entities, whether they choose to report their investment properties based on fair

value or amortized cost, should report rents as received versus the proposed options set forth in the proposed Accounting Standards Update *Leases (Topic 840)*. MBA is strongly supportive of recent tentative conclusions FASB reached during its December 14, 2011 board meeting. MBA supports those conclusion for two reasons: 1) the operational complexities and costs of reporting the many different types of leases (e.g. multi-family rents, retail rents, office rents) would be overly burdensome on both large and small entities; and 2) the distortion of present valuing lease payments and reporting the income as interest (when most investment properties also carry a substantial amount of debt) clouds the financial statements and does not give the reader a true picture of what is available as income or what the true costs of producing such income are.

3. Do the criteria in the proposed amendments appropriately identify those entities that should be required to measure their investment property or properties at fair value, and, therefore, should be excluded from the scope of the lessor accounting model in the proposed Update on leases? If not, what changes or additional criteria would you suggest, and why are those criteria more appropriate?

MBA's Response: No, MBA believes all investment properties should be excluded from the scope of the lessor accounting model set forth in the proposed update on leases. That is the only way that investors, creditors, regulators and others will be able to evaluate and compare the results of operations of a given investment property.

4. The proposed amendments would require an entity to reassess whether it is an investment property entity if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?

MBA's Response: As stated in our general comment, MBA believes that the FASB should consider converging with IFRS on this issue by allowing a fair value option for investments in real estate. For those electing cost not fair value measurement, fair value disclosures should be required. This would allow management to choose the measurement they believe best reflects the business model while still providing pertinent fair value information to users of the financial statements.

5. An entity that would be an investment property entity under the proposed amendments would be required to follow the accounting requirements in the proposed amendments even if that entity also would be an investment company under Topic 946. Is it appropriate for an entity that would meet the criteria to be both an investment property entity and an investment company under Topic 946 to be subject to the amendments in this proposed Update? If not, what alternative approach would you recommend if an entity would meet the criteria to be both an

investment property entity and an investment company? Should the form of the entity (real estate fund versus real estate investment trust) dictate whether an entity should be an investment company or an investment property entity for accounting purposes? If yes, please describe the difference between the business activities of a real estate fund and a real estate investment trust to support your view.

MBA's Response: No. MBA does not believe the form of the entity should dictate whether it is an investment company or an investment property entity. MBA believes that if the focus of accounting is on the property and its use, management should be able to elect fair value or cost measurement, depending on the business model. Fair value disclosure should be used to provide users the information they may need with respect to fair value if management elects to carry investment properties at cost. MBA further believes that there is no need to create a rules based concept of an investment property entity or an investment company entity. Entities which are not accounted for as an investment property entity would be subject to evaluation and may qualify as investment companies. MBA believes that the investment company entity evaluations should be applied regardless of whether the underlying investments are real estate or financial assets. MBA believes an establishment of two similar standards – one for real estate and one for other assets - only serves to create confusion and lack of consistency given the many legal forms ownership can take and the variety of forms created via the various legal systems that cover asset ownership.

Nature of Business Activities

6. To be an investment property entity, the proposed amendments would require substantially all of an entity's business activities to be investing in a real estate property or properties. Should an entity's business activities be limited to investing in real estate property or properties rather than investing in real estate assets in general (such as real-estate-related debt securities and mortgage receivables) to be an investment property entity? If not, why? Is this requirement operational? Please describe any operational concerns.

MBA's Response: See MBA's response to Question 5. MBA believes there is no need for the concept of investment property entity. We believe clearer reporting and greater convergence would result if the focus was on the intended purpose of holding the asset, i.e. for investment purposes to realize capital appreciation, investment income, or both. See MBA's general comment above, *Disparate Treatment of REITs*.

7. The implementation guidance in this proposed Update specifies that when evaluation of whether substantially all of the parent entity's business activities are

investing in real estate property or properties, the parent entity would not consider real estate properties held indirectly through investments in which the parent entity does not have a controlling financial interest. Should the evaluation of an entity's business activities consider properties held through non-controlling financial interests (for example, investments in which the entity can exercise significant influence)? Why or why not?

MBA's Response: See MBA's response to Question 5. MBA believes there is no need for the concept of an investment property entity. It is a rules-based approach that will likely result in inconsistency in practice. MBA believes that FASB should consider allowing a fair value option instead with appropriate disclosures for reporting entities who continue to use cost as the measurement.

MBA notes that real estate companies sometimes invest in real estate joint ventures which also need to be carried at fair value for their investors, as the value of the fund includes these investments. Not doing so would require a second set of books which is unnecessary. A fair value option provided in IAS 40 allows the reporting entity to carry assets according to the business model of the entity, which MBA believes is the correct approach.

Express Business Purpose

8. To be an investment property entity, the proposed amendments would require that the express business purpose of an entity is to invest in a real estate property or properties for total return with an objective to realize capital appreciation, for example, through disposal of its real estate property or properties. Real estate properties held by an entity for either of the following purposes would not meet this criterion:
 - a. The entity's own use in the production or supply of goods or services or for administrative purposes
 - b. Development for sale in the ordinary course of business upon completion (such as land developers and home builders)

Should an entity whose express business purpose is to hold real estate properties for the reasons listed above be excluded from the amendments in this proposed Update? If not, why? Is the express-business-purpose criterion operational? Please describe any operational concerns.

MBA's Response: As discussed in MBA's general comments, MBA believes entities must consider all the characteristics of an investment or investment entity in determining whether that investment should be accounted for as investment property or an investment company.

While MBA believes the two criteria listed above should be considered, MBA does not agree that these should be deemed to be determinative in making an investment property entity designation decision. For example, under Question 8.a. an entity that holds hotels theoretically holds property in order to supply goods and services (i.e. hotel rooms to paying guests). The hotel owner invests in hotels for current income and capital appreciation. MBA believes that such property should not be scoped out as property held for the entity's own use. Rather, it should be accounted for as an investment property. In contrast, an entity could hold a plant for the production of goods to be sold to the public. This should be accounted for at amortized cost as property, plant and equipment.

With respect to Question 8.b. above, MBA believes that the criteria as written may restrict the ability for value added or opportunistic real estate funds to qualify their real estate assets as an investment property. Value added or opportunistic real estate funds are a type of real estate fund that is focused on buying assets that could be distressed or are in need of redevelopment. These funds often include land and the development of new properties as a portion of the investment strategy. These properties are currently carried at fair value as well. As noted previously, investors in these funds will still want financials on a fair value basis, so not qualifying under the Proposed Update to Topic 973 would require that these funds incur unnecessary expenses of keeping and auditing a second set of books that will not be used. MBA notes the irony of Question 8.b. whereby opportunistic real estate funds generally have a very specific exit strategy which is one of the criteria in the Proposed Update to Topic 973 to qualify for treatment as an investment property entity.

9. To meet the express-business-purpose criterion, the implementation guidance in this proposed Update would require that an investment property entity have an exit strategy to dispose of its real estate property or properties to realize capital appreciation to maximize total return. An entity that invests in a real estate property or properties to collect rental income long term and does not have an exit strategy for its real estate property or properties would not be an investment property entity under the proposed amendments. Should those entities be excluded from the amendments in this proposed Update? If not, why? Is the exit strategy requirement operational? Please describe any operational concerns.

MBA's Response: MBA does not believe that it should be necessary for an entity to have an exit strategy to dispose of its real estate property or properties, or other assets, in order to realize capital appreciation to maximize total return. As stated above, an exit strategy is one of the many ways to maximize the total return of an investment in real estate or other assets, but not the only one. Other activities, such as re-positioning a real estate property as its neighborhood changes or changing the use of an asset are also valid ways used by an entity to maximize return that use investment strategies to gain returns on an investment.

MBA further notes that in most funds that hold investment properties, the investors have the ability to enter and exit the fund. This allows the investor to realize capital appreciation without the fund having to sell the underlying investment property. The criteria for a specific exit strategy ignores the realities of how things generally work in the real estate industry.

Unit Ownership and Pooling of Funds

10. To be an investment property entity, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?

MBA's Response: See above. MBA believes there is no need for the concept of an investment property entity. It is a rules-based approach that will likely result in inconsistency in practice. Likewise, MBA does not support a list of prescribed criteria for determination of an investment company entity. MBA believes that FASB should consider allowing a fair value option instead with appropriate disclosures for reporting entities who continue to use cost as the measurement.

11. To be an investment property entity, the proposed amendments would provide an exemption from the unit-ownership and pooling of funds criteria for a subsidiary entity that (a) has a parent entity that is required to account for its investments at fair value with all changes in fair value recognized in net income in accordance with U.S. GAAP or b) has a parent entity that is a not-for-profit entity under Topic 958 that measures its investments at fair value. Should this exemption be available only to a subsidiary entity with a parent entity that is (a) required to account for its investments at fair value in accordance with U.S. GAAP or (b) a not-for-profit entity under Topic 958 that measures its investments at fair value? If not, which entities should be permitted to apply the exemption and why?

MBA's Response: See above. MBA believes that question 11 is a good example of the patchwork required if the accounting model is rules-based and focused on the entity vs. the business model for the investment.

Measurement

12. The proposed amendments would require real estate properties other than investment properties that are held by an investment property entity to be measured in accordance with other U.S. GAAP. Should an investment property entity be required to measure those properties at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

MBA's Response: MBA believes there is no need for the concept of investment an property entity. It is a rules-based approach that will likely result in inconsistency in practice. Likewise, MBA does not support a list of prescribed criteria for determination of an investment company entity. MBA believes that FASB should consider allowing a fair value option instead with appropriate fair value disclosures for reporting entities who continue to use cost as the measurement. MBA agrees that real estate properties, other than investment properties, should be measured in accordance with other U.S. GAAP, regardless of the type of entity holding the real estate.

13. The proposed amendments would require a right-of-use asset in which the underlying asset meets the definition of an investment property to be measured at fair value with all changes in fair value recognized in net income. Should those right-of-use assets be measured at fair value with all changes in fair value recognized in net income? If not, why and which measurement attribute would you recommend for those right-of-use assets?

MBA's Response: MBA asks for clarity as to what FASB means by "right of use" asset in regards to real estate. MBA notes that in the real estate industry there are two concepts that could potentially be construed as "right-of-use assets" which are very different legally. The first is a leasehold interest where one entity owns the land and an unaffiliated entity has leased the property and owns the building on the land. The other concept is known as a "big box lease" where one entity owns the land and building and the building is leased solely to an unaffiliated tenant who pays rent and is expected to be the only tenant for the life of the building. MBA suspects that FASB may be referring to a lessee's right-of-use asset under certain lease accounting literature. If so, MBA recommends that FASB adopt the accounting prescribed in IAS 40, whereby a property interest held by a lessee under an operating lease may be classified and accounted for as an investment property if the rest of the definition of an investment property is met, the operating lease is accounted for as if it is a finance lease, and the lessee uses the fair value model for the asset recognized.

MBA is supportive of FASB's tentative decisions during its December 2011 Board meeting as to how to account for lease revenues.

Interests in Other Entities

14. The proposed amendments would require an investment property entity to evaluate whether an interest in (a) another investment property entity, (b) an investment company as defined in Topic 946, or (c) an operating entity that provides services to the investment property entity should be consolidated under Topic 810. Should an investment property entity consolidate controlling financial interests in those entities? If not, why? Should an investment property entity consolidate controlling financial interests in other entities? If yes, why?

MBA's Response: MBA does not believe there is a need to create yet another type of entity, the investment property entity; however, MBA does not support consolidation accounting when an entity holds a controlling financial interest in another entity. MBA continues to support the specialized accounting for investment companies with respect to consolidation.

15. The proposed amendments would prohibit an investment property entity from applying the equity method of accounting in Topic 323 unless the investee is an operating entity that provides services to the investment property entity. Is that exception to the equity method of accounting requirements in Topic 323 appropriate for investment property entities? If not, why?

MBA's Response: MBA does not believe there should be a new accounting entity, the investment property entity. MBA believes that if an investment property is not held by an investment company, the reporting entity should have a fair value option. If a reporting entity is an investment company, then it should continue to account for investments, including investment properties, at fair value.

16. The proposed amendments would require an investment property entity to measure investments in which it does not have a controlling financial interest or cannot exercise significant influence in accordance with U.S. GAAP. For example, that would currently require held-to-maturity debt securities to be measured at amortized cost and would permit certain equity securities to be measured using the cost method, unless the fair value option in Topic 825, Financial Instruments, is elected. Should an investment property entity be required to measure those investments at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

MBA's Response: MBA does not understand why an investment property entity would treat such investments in a different manner than an investment company does. See responses above.

Financial Liabilities

17. The proposed amendments would require an investment property entity to measure its financial liabilities (such as its own debt) in accordance with other U.S. GAAP, which currently requires amortized cost measurement unless the fair value option in Topic 825 is elected. Should an investment property entity be required to measure its financial liabilities at fair value with all changes in fair value (including changes in an entity's own credit) recognized in net income instead of applying other U.S. GAAP? Why or why not?

MBA's Response: MBA does not see the need to create the concept of an investment property entity and believes the focus should be on the purpose of and reason for investing in the real estate properties. MBA does not agree with a requirement to measure liabilities at fair value, but MBA does support the retention of a fair value option for liabilities.

Rental Revenue Recognition

18. The proposed amendments would require an investment property entity to recognize rental income on investment properties subject to a lease when lease payments are received or as the lease payments become receivable in accordance with the contractual terms of the related lease rather than on a straight-line or other basis. Is that basis of recognizing rental revenue appropriate for investment properties measured at fair value? If not, why?

MBA's Response: MBA believes that all entities should recognize rental income on their investment properties subject to leases when the lease payments are received or as the lease payments become receivable in accordance with the contractual terms of the related leases rather than on a straight-line or other basis. MBA believes that is the only method that is both auditable and operationally feasible and that it provides the best quality data to readers of financial statements as to the true value of the investment property.

Practical Expedient for Measurement of an Interest in an Investment Property Entity

19. The proposed amendments would permit, as a practical expedient, an entity to estimate the fair value of its investment in an investment property entity using the net asset value per share (or its equivalent) of the investment if the entity would transact at the net asset value per share. Are there investments that currently qualify for the practical expedient that would no longer qualify for the practical expedient because of the proposed amendments? If so, please identify those types of investments.

MBA's Response: MBA does not object to using net asset value as a practical expedient.

Disclosure

20. Are the proposed disclosures appropriate for an investment property entity? If not, which disclosures do you disagree with? Should any additional disclosures be required? If so, why?

MBA's Response: MBA does not believe that there is a need to create an investment property entity. Rather, FASB should consider converging with IAS 40. This would require entities that measure investment properties at amortized cost to also report fair value in their financial statements.

Effective Date and Transition

21. Should an entity recognize the effect of adopting the requirements in this proposed Update as an adjustment to the beginning balance of retained earnings in the period of adoption? If not, what transition requirements would you recommend and why?

MBA's Response: MBA does not object to a beginning balance of retained earnings adjustment approach. The effective date and transition rules of any investment company entity or investment property guidance should consider the effective date and transition rules of new lease accounting standards.

22. How much time would be necessary to implement the proposed amendments?

MBA's Response: MBA believes any proposed standard should not create a difference between current accounting for investment company entities and the accounting under the new guidance. If FASB adopts a principles-based approach to defining an investment company entity, MBA believes that goal could be accomplished and implementation time would not be significant. In addition, adopting the standard under IAS 40 including the fair value option would also save significant implementation time and effort with regard to investment properties. If FASB does not take this path and adopts the Proposed Updates, implementation time and cost would expand significantly.

23. The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

MBA's Response: Since there is a relationship between the Proposed Update to Topic 973 and the lease project, the transition rules should be coordinated with the new rule on leases, when finalized.

Nonpublic Entities

24. The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities (such as private companies and not-for-profit organizations)? If not, how should the proposed requirements differ for nonpublic entities and why?

MBA's Response: We believe that all entities should report their investment real estate in the same manner.