Sent by: Ross Hogan (rhogan@trustmark.com)

Message: Despite the unmistakable evidence that accounting rules were the culprit for the 2008 panic, FASB is not admitting a mistake. Instead, it is doubling-down on this rigid and ideological accounting fundamentalism. FASB wants to mark bank loans to market. But there is no real market for bank loans. The value of any loan is always in the eye of the beholder. As a result, who is doing the beholding determines the viability of an institution and maybe even the health of the economy. How does a trader in New York, know what price to bid for a loan to a dry-cleaner in Burlington, Iowa? In fact, the minute a bank makes a loan to a local small business it will be forced to write down the value because no one else will pay 100 cents on the dollar for that loan, especially in times of economic stress. To be clear, the financial system and economy are much healthier now than they were in 2008, when home prices were over-valued. This rule is pro-cyclical and right now the cycle is pointing up, not down. But when problems do come again (as they always do), this new rule, if implemented, could turn a brushfire into an inferno, causing capital to fall and banks to stop lending (and even sell assets) at just the wrong time. Fair value accounting ties the balance sheet of the economy (the value of assets) to the income statement and capital accounts. Because the balance sheet is bigger, a small ripple in asset values creates a tsunami when applied to the income statement. Instead of reducing risk, fair value accounting has an unintended consequence of increasing the cyclicality of the economy - which, by definition, increases risk. And without risk-taking, growth suffers. FASB must cease and desist in this endeavor.