The Real Estate Roundtable

October 9, 2008

VIA ELECTRONIC MAIL

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7 Corporate Park
P.O. Box 5116
Norwalk, CT 06856-5116
Electronic Mail: director@fasb.org

File Reference: Proposed FASB Staff Position FAS 157-d, Determining the Fair Value of a
Financial Asset in a Market That is Not Active

Dear Mr. Golden:

The Real Estate Roundtable appreciates the opportunity to comment on the Proposed
FASB Staff Position FAS 157-d, regarding the application of fair value measurements in an
inactive market. We commend the FASB for providing additional guidance regarding the
application of fair value accounting in the current inactive market environment.

We are concerned that the application of fair value accounting under FAS 157, or so-
called mark-to-market rules, for certain financial assets that have no active market value have
had the unintended consequence of exacerbating the current credit crisis. Clearly, the use of FAS
157 for hard-to-value assets has caused write-downs that may well overestimate probable losses.

As investors and holders of these instruments “fair value” their assets on the basis of
distressed market prices, their capital is reduced accordingly, which has contributed to a cycle of
actual fire sales and additional write downs in the system. For example, despite underlying
value, solid performance and viable cash flow, the commercial mortgage backed securities
(CMBS) market is now largely illiquid, with reduced issuance thus far this year of over $200
billion. In valuing these instruments, the lack of a viable market has forced use of the CMBX
index as a substitute for observable cash market data in determining the fair value of assets.
Accordingly, we believe that CMBX is not an appropriate alternative for the intrinsic value of
CMBS and should not necessarily be a determinative factor in pricing these positions –
particularly for investors holding these instruments to maturity.

Because there is no-bid for these and other mortgage securities, financial institutions have
had to write their value down to the tune of some $700 billion, thereby diminishing the capital
base of their companies. In the current environment, we believe that a reform for fair value
accounting which is artificially depressing the values of certain securities is warranted. One
alternative approach being discussed would involve the option of permitting institutions to use a
refined valuation methodology that would reflect a more realistic value of a financial instrument
in inactive markets where an entity’s assessment of the instrument’s true fair value based on
expected cash flows is not consistent with measurement under the current interpretations of FAS
157 or IAS 39.
It is important to remember that real estate directly and indirectly generates economic activity equivalent to about 20 percent of GDP. It encompasses an estimated $20 trillion in owner-occupied housing and approximately $5 trillion in income-producing commercial property. It creates some 9 million jobs and generates millions of dollars in federal, regional and local tax revenue. Local governments, especially, depend on this revenue (approximately 70 cents of every local budget dollar) to pay for public services such as education, road construction, law enforcement and emergency planning and response.

The restoration of the orderly functioning of financial markets is essential. To aid this process, it is important to alleviate the unintended consequences of mark-to-market pressure imposed by fair-value accounting and establish an alternative valuation methodology for complicated structured products like CMBS.

We appreciate FASB’s efforts to address this problem and applaud the Board’s concern for the market impact that such accounting policy is having on today’s financial markets.

Thank you for the opportunity of commenting on this important issue.

Sincerely,

Jeffrey D. DeBoer
President and Chief Executive Officer