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Letter of Comment No: 7  
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Financial Accounting Standards Board  
Director of Technical Application and Implementation Activities  
File Reference No. 1200-001  
Via Email: director@fasb.org

Re: Proposed Statement of Financial Accounting Standards: Qualifying Special Purpose Entities and Isolation of Transferred Assets an amendment of FASB Statement No. 140

Dear Sir:

USAA Investment Management Company appreciates the opportunity to comment on the FASB's Exposure Draft regarding Qualifying Special Purpose Entities. As you know, the capital markets are critical to the smooth functioning of the U.S. economy. Perhaps more important is the need for stability in the capital markets. Debt issuers and investors alike need the confident assurance that the markets will be accessible and liquid to ensure their ability to plan and make long-term investments in conjunction with those plans. Without that confidence and stability, both issuers and investors are likely to be more reluctant to make long-term plans and commitments, which can ultimately wreak havoc on the economy. The events over the last two years have borne this out, and only now are we beginning to sense that the markets have returned to a more "normal" level of calm. As we all know, a large part of the volatility was the result of accounting manipulations by management.

As investors, we appreciate the need for strong accounting principles that increase the transparency of a firm's operations. This allows us to make more effective decisions, and ultimately allows for the more efficient allocation of capital in the economy. Consequently, we appreciate the FASB's recent changes being made to the accounting rules regarding off balance sheet entities. In particular, the changes made with respect to Financial Interpretation Number 46 (FIN 46) and to the proposed changes to FAS 140 come as necessary improvements to corporate reporting and disclosure.

However, as mentioned earlier, we are concerned also with the ability to plan for changes so as to minimize disruption to the capital markets. While we welcome the above changes, we urge the FASB to carefully consider the timing and implementation of FASB 140. Many of the financing vehicles that have evolved over the last ten to fifteen years have been in response to previous guidance by the FASB, and have proven to be efficient vehicles for capital allocation in the economy. With over half of the \$1.3 trillion commercial paper market consisting of asset backed programs that will be affected by both FIN 46 and FAS 140, we are concerned about the impact these changes may have on the supply of high quality investment opportunities for money market funds. Money market funds are estimated to hold over 48% of outstanding asset backed commercial paper. Credit losses in these programs have been non-existent despite the recent weakness in the credit market.

Although we believe that these changes are necessary, especially given the events of the last few years, we would prefer to see these changes implemented over a longer period of time. This would give both issuers and investors adequate time to plan for the necessary changes that must be made to these vehicles with minimum disruption to the financial markets. A quick implementation could impact many lenders' willingness to commit financing from these vehicles to their customers. This in turn could lead to borrowers delaying investment plans, and ultimately to instability in the economy. With the economy just beginning to exhibit some signs of growth, we urge the FASB to be cautious in aggressively forcing the

financial community to implement these changes in a very short period of time. Our preference would be to give at least a one year time frame before implementation, as that should allow the majority of lenders to develop workable plans for these financing vehicles with minimum disruption to borrowers.

In conclusion, we are thankful for the opportunity to comment on this important accounting issue, and we applaud the FASB's recent efforts to increase corporate reporting and transparency. We hope that you will take our comments under serious consideration. As you know, the ramifications of this accounting change have the potential to cause serious disruption to the capital markets as well as the economy. While we definitely desire a better accounting framework, we would prefer to see its implementation done in a manner that supports long-term planning and economic stability.

Sincerely,

Pam Bledsoe Noble, CFA  
Vice President Money Market Funds  
USAA Investment Management Company