



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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LETTER OF COMMENT NO.

280

Transmitted by email to director@fasb.org  
File Reference: Proposed FSP FAS 157-e

Dear Sir/Madam:

On behalf of the 1.2 million members of the National Association of REALTORS® (NAR), I am writing to provide comments on the recently released FSP FAS 157-e and FSP FAS 115-a, FAS 124-a, and EITF 99-20-b. The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS.

NAR commends FASB for releasing FSP FAS 157-e, "Determining Whether a Market is Not Active and a Transaction is Not Distressed", and FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, "Recognition and Presentation of Other-Than-Temporary Impairments." It is our belief that these proposed guidelines, if approved, would provide much needed clarity and additional authoritative guidance for problems associated with the application of fair value accounting in today's challenging and distressed economic environment.

Given the crisis situation currently facing the commercial real estate markets and non-agency mortgage backed securities (MBSs), proposed FSP FAS 157-e is particularly important. The commercial and multifamily real estate industry plays a vital role in the economy, yet it now faces a severe liquidity crisis. Currently, banks, life insurance companies, and the commercial MBS market represent 75% of all outstanding commercial real estate loans. However, the commercial MBS market has ceased to function and banks and insurers have severely tightened lending standards and reduced loan volume as a result of regulatory pressure to reduce

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commercial real estate exposure. The market for residential MBSs, other than those backed by Fannie Mae and Freddie Mac, is virtually dead. We believe that the credit markets have been unduly stressed as a result of the struggle on the part of financial institutions faced with applying fair value accounting in the current environment. In particular, the problem of “mark-to-market” applications during periods of market dysfunction and illiquidity and the pricing challenges that arise when auditors seek to value performing assets in illiquid or volatile markets.

For this reason, we believe that actions on the part of the accounting policymakers are critical as part of the overall federal government’s efforts to address capital constraints, provide liquidity, and facilitate lending. FAS 157-e is a meaningful response from policymakers and will provide necessary guidance so that market participants can effectively address application issues and ensure that “fair value” accounting standards can be achieved and applied consistently for all market conditions. NAR urges prompt adoption and implementation of the new guidance.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles McMillan". The signature is written in a cursive, flowing style.

Charles McMillan, CIPS, GRI  
2009 President  
National Association of REALTORS®