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 Director - FASB

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Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

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## Dear FASB:

No accounting rule should (1) cause trillions of dollars of unnecessary losses, (2) spread panic, or (3) invite congressional intervention. Yet fair value accounting (mark-to-market) managed to pull off all three in 2008 and 2009. Indeed, the stock market stopped collapsing only after Congress forced the FASB to beat a hasty retreat from the rule in March of 2009.

Requiring companies to value long term investments at an "exit price" is the rule that turned a mortgage problem into a meltdown. Recall from 2008 that banks were required to revalue their mortgage-backed securities to keep up with a market that *did not exist*. Each markdown to a selling price in an unwilling market set a new low, which forced others to make similar markdowns. The market became an accounting-induced death spiral. It was like forcing a hundreds of furnace manufacturers to assign a liquidation price to their entire inventory of furnaces during a heat wave.

Investors should look to accounting rules to reflect a company's use of resources. If a financial asset is a short-term investment held for liquidity, then mark-to-market makes sense. But if a company's practice is to hold financial assets to maturity, such as loans on the books of a bank, then the amortized cost should apply. Otherwise, many companies – particularly banks – will be forced to guess at a liquidation figure with every financial statement. Those statements are already confusing enough without introducing a new level of subjectivity that will be impossible to explain to the average investor.

One disaster is enough. Please go back to the drawing board and develop rules that better reflect the way financial assets are used. Congress has already intervened once. Don't give them an excuse to do it again.

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