

LETTER OF COMMENT NO.

166

Sent:

Sunday, March 29, 2009 6:28 PM

To:

Adrian Mills; Kristofer Anderson; Peter Proestakes; Kevin Stoklosa; Mark Trench; Vita Martin;

Meghan Clark; Wade Fanning; Joe Vernuccio; Diane Inzano; Russell Golden

Subject: FW: File Reference: Proposed FSP FAS 157-e

From: G&R-Henkel [mailto:Henkel7@cox.net] Sent: Sunday, March 29, 2009 5:38 PM

To: Director - FASB **Cc:** George Pagano

Subject: File Reference: Proposed FSP FAS 157-e

As the period for solicited comments for changes to fair value measurements comes to a close the verdict seems split. Those employed by financial institutions such as banks and credit unions favor the changes while the majority of independent responders disagree. They do not approve to the more subject discounted cash flow measurements.

Theoretically moving to discounted cash flow measurements should produce the same value as the current mark-to-market rules. When valuing a debt instrument of an unemployed individual with a 400 FICO score, the discount factor adjusted for risk against the projected cash flows should produce a value similar to the free market. Improvement to balance sheets will require increasingly subjective estimates of risk. As this approach to our economic illness may not be the best medicine, to prevent increased damage from medaling, the discounted cash flow measurements should be limited to residential mortgages. These assets normally appreciate, provided we do not slip into a deflationary economy, while auto and credit card debt does not.

Rather than trying to cushion the impact of declining home values on bank's balance sheets by loosening measurement standards, the FASB should encourage Congress to take measures to restore home values. Congress has always supported home ownership, and for many families, their home is their greatest investment. If Congress would temporarily give a full tax credit for residential mortgage interest paid, rather than the partial tax deduction, home values would quickly stabilize. This approach would restore active markets for home mortgages and eliminate any associated distress, while saving the US taxpayer trillions of dollars of debt.

http://www.ocbj.com/industry_article.asp? aID=042249802.5154995.1754870.7014683.5316845.314&aID2=134981

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