MORTGAGE BANKERS ASSOCIATION
Investing in communities

* F S P F A S 1 5 7 D *

VIA Electronic Mail (director@fasb.org)

LETTER OF COMMENT NO. 45

October 9, 2008

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

File Reference: Proposed FSP FAS 157-d

Dear Board Members and FASB Staff:

The Mortgage Bankers Association[1] (MBA) appreciates the opportunity to comment on the proposed FASB Staff Position (FSP), *Determining the Fair Value in a Market That Is Not Active*, that would amend FASB Statement No. 157 (FAS 157), *Fair Value Measurements*, to clarify its application in an inactive market by providing an illustrative example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive.

MBA applauds the FASB and the SEC for issuing interpretive guidance in their joint press release on September 30, 2008, which provided guidance for how management's internal assumptions should be considered when measuring fair value when relevant observable data does not exist, how observable market information in a market that is not active should be considered when measuring fair value, and how the use of market quotes should be considered when assessing the relevance of observable and unobservable data available for fair value measures.

MBA also believes that the additional guidance provided in the proposed FSP is consistent with the guidance in the press release and consistent with the principles of fair value accounting in FAS 157, and is perceived by MBA's members as helpful. MBA has the following specific suggestions to the proposed FSP and with respect to additional issues that may arise under FAS 157 in the current credit market environment:

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 370,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

1331 L Street, NW | Washington, DC 20005 | www.mortgagebankers.org | (202) 557-2700

1). Many of our members have already closed their books for the quarter ended September 30, 2008. If a member and its auditor have previously taken a position, for example, to value an asset based on a broker quote that is not a binding offer and/or not a result of an actual market transaction, it is likely not be feasible to implement the modeling techniques described in Example 11 to a large number of positions retroactively in time for financial statement issuance. In addition, a member that is not able to adopt the proposed FSP as of September 30, 2008, may find itself justifying a change to an income model in the next reporting period without a change in market conditions. MBA, therefore, recommends that the effective date be reworded to permit but not require application of the FSP in periods for which financial statements have not been issued with a mandatory adoption of the FSP in periods ending subsequent to the issuance of the FSP.

2). Example 11 in the proposed FSP is not specific as to how the point estimate of 22 percent in the range of the respective indications was chosen. MBA recommends that the example be clear that management should exercise its judgment in choosing the most appropriate point in the range of values and not arbitrarily use the high, midpoint or low end of the range.

3). MBA also notes that Example 11 appears to guide companies to estimate the components of spread widening—the credit spread premium and the liquidity risk premium. MBA knows of no way in the current marketplace to determine how much of the spread widening is due to one factor or another.

Closing Comments

The MBA lauds the FASB and the SEC for providing additional guidance for applying fair value accounting in the current inactive market environment. We support the immediate issuance of the proposed FASB Staff Position amending FASB Statement No. 157, Fair Value Measurements. However, MBA observes that in the current market, additional conditions may arise requiring further clarification by the FASB and FASB staff. MBA believes that such a forum is preferable to interpretations by regulators and accounting firms, and far preferable to Congress promulgating GAAP. Likewise, the Valuation Resource Group should meet more frequently to discuss and propose solutions to emerging issues under FAS 157 in the current inactive market environment.

The MBA appreciates the opportunity to share these comments with the Board. Any questions about MBA's comments should be directed to Jim Gross, Associate Vice President and Staff Representative to MBA's Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org.

Most sincerely,

John A. Courson

John A. Courson
Chief Operating Officer