

January 25, 2010

The Honorable Christopher J. Dodd
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

The undersigned trade associations representing home builders, the top owners and investors of U.S. commercial and multifamily real estate, traditional banks and other financial companies believe it is extremely important that accounting policy be considered as part of financial reform. As you work toward solutions, we urge you to address potential systemic risks associated with accounting policy.

During the recent problems in the financial markets, many have noted that accounting rules can and did have a negative effect on credit markets and the financial system. Although the Securities and Exchange Commission (SEC) has responsibility for accounting oversight, it has not been charged with oversight of systemic risk issues. Any new group whose role is to address systemic risks in the financial system also must carefully consider potential systemic risks created by accounting standards.

We believe this objective can be achieved without having an impact on the role and independence of the Financial Accounting Standards Board (FASB) in setting accounting policy or the oversight of accounting issues vested in the SEC. We realize the importance of the roles of the FASB and SEC, and fully support improving accounting transparency and improving financial reporting principles and standards. However, if the unintended consequences of an accounting principle or standard –similar to a financial regulation or business practice – could exacerbate or create systemic risks that threaten the stability of the United States financial system, the systemic regulatory body should at a minimum be required to advise the SEC of those risks. This will help identify problems so that the risks can be mitigated, if appropriate.

Providing some form of systemic risk review relating to accounting standards would help address the global concerns that accounting standards can increase systemic risk and instability in the financial system. Without the ability to address the unintended consequences that accounting pronouncements can have on systemic risk, the systemic risk body will not be able to address one of the significant issue areas that contributed to the nation's current financial problems.

We appreciate your consideration of our view on this most important issue.

Sincerely,

American Bankers Association
American Insurance Association
CCIM Institute
Council of Federal Home Loan Banks
Financial Services Roundtable
Institute of Real Estate Management

Mortgage Bankers Association
National Apartment Association
National Association of Home Builders
National Multi Housing Council
Real Estate Roundtable