

May 10, 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 completion of The Restoring American Financial Stability Act (S. 3217), we urge you to support the amendment offered by Senator Corker which addresses oversight of potential systemic risks associated with accounting policy.

During the recent problems in the financial markets, many have noted that accounting rules had 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.

Therefore, we urge the Senate to adopt the Corker amendment, which is narrowly focused to accomplish these goals while maintaining the full independence of the accounting standards process. Providing systemic risk review relating to accounting standards is essential to address global concerns that accounting standards can increase systemic risk and instability in the financial system. Without the direction to comment on 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  
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  
The Real Estate Roundtable