

## FASB'S FAIR VALUE ACCOUNTING REFORMS FALL SHORT OF FIXING PROBLEMS

### SAYS NEW REPORT FROM U.S. CHAMBER COALITION

Financial reporting problems will continue to adversely impact the economy unless shortcomings in the recent changes made by the Financial Accounting Standards Board (FASB) to Fair Value Accounting are corrected, according to report released today by the Fair Value Coalition of the U.S. Chamber of Commerce.

The Fair value Coalition today released a report analyzing the Financial Accounting Standards Board's recent changes to Fair Value Accounting.

Despite changes to fair value accounting standards, the Coalition report found that adherence to exit prices continues to keep in place the existing valuation mechanisms that exacerbate non-economic losses in inactive markets. As a result, the ability to value assets in inactive markets remains problematic at best. Furthermore, the report also determined that FASB's changes to impairment rules retained a significant recognition of non-economic losses, impeding the ability for accurate reporting of credit and non-credit related losses. The report also found that there were significant and controversial changes made during the time between the initial FASB proposal and the FASB meeting of April 2, 2009 that were not available to the public for comment. As part of the report, The Fair Value Coalition suggests a number of solutions, including a 15 day public comment period on the important changes made that were never vetted during the initial exposure period.

The intent of the changes to fair value accounting was to recognize true economic losses and allow for a realistic valuation of assets. Some of the changes to the standards fell short of that goal. If these problems are not fixed, financial reporting problems will continue to adversely impact the economy during its worst crisis in 75 years. Furthermore, changes to the initial proposals should have been made available for a short public comment period, which would have allowed the problems found in this report to be identified and resolved during that time frame without any delay to implementation. The suggested changes in the report are not drastic and would have beneficial impacts. We urge FASB to move forward with these suggestions.

The Fair Value Coalition report also contains an example showing differences in asset valuation using the old fair value standards, the initially proposed reforms, and the changes ultimately adopted in the final FASB staff positions issued on April 9, 2009

We will continue to work with all those concerned to try to rectify these outstanding issues.

The following associations support the conclusions in the report.

Commercial Mortgage Securities Association

Council of Federal Home Loan Banks

Group of North American Insurance Enterprises

Independent Community Bankers of America

International Council of Shopping Centers

Mortgage Bankers Association

NAIOP, Commercial Real Estate Development Association

Property Casualty Insurers Association

The American Council of Life Insurers

The Financial Services Roundtable

The Real Estate Roundtable

United States Chamber of Commerce