U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

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July 22, 2008

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Chairmen Cox and Herz:

Since August 2007, the U.S. capital markets have been experiencing an extended period of stress and dislocation. Financial regulators, collectively and individually, have taken steps to respond to the disruptions in the credit and capital markets, attempting to mitigate impacts on investors, consumers and the broader economy.

While expeditious regulatory action has been beneficial in many areas, I am concerned that your current timeline to amend FASB Statement 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and Interpretation 46(R), "Consolidation of Variable Interest Entities", by the end of 2008 may have serious unintended consequences. Changes to securitization accounting could have a dramatic impact on the economy, the capital markets and consumers seeking credit. With capital and liquidity at a premium, the effect of these changes could be to prolong market dislocation. In fact, as of December 31, 2007, the aggregate outstanding balance of potentially affected transactions included $7,210.3 billion in mortgage-related securities; $2,472.4 billion in other asset-backed securities (excluding asset-backed commercial paper); and $816.3 billion in asset-backed commercial paper.

The U.S. capital markets benefit when there is a deliberative process for accounting policy makers and affected constituents to fully consider all available options and work out the details for a smooth transition. Significant changes to the accounting rules should be made with careful consideration and preferably when markets are functioning with minimal stress and volatility. A more measured and realistic deadline for finalizing amendments to Statement 140 and Interpretation 46(R), such as January 1, 2010, would permit all stakeholders to have a full and fair opportunity to debate all policy alternatives and their consequences. In the interim, the SEC and FASB should work with market participants to develop temporary solutions to improve market transparency and disclosures.

Thank you for considering my views, and for your efforts to promote confidence and stability in our capital markets.

Sincerely,

SPENCER BACHUS
Ranking Member