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The Honorable Spencer Bachus
United States House of Representatives
442 Cannon Building
Washington, D.C. 20515

Dear Representative Bachus:

On behalf of the more than 25,000 members of the Appraisal Institute and American Society of Appraisers we are pleased to provide comments on H.R. 2043, the *United States Financial Policy Committee Fair Capital Standards Act of 2003*. We applaud your efforts to create the Financial Policy Committee (FPC) to monitor and respond to issues before the Basel Committee on Banking Supervision at the Bank for International Settlements, including the proposed Capital Accord. It is crucial for the United States to stay abreast of these matters and to be engaged in a deliberative and informed manner relative to the international changes and policies proposed by the Basel Committee.

We are, however, concerned that the FPC proposed in H.R. 2043 is not sufficiently broad in its membership to accomplish this objective. The Capital Accord impacts services and disciplines beyond the financial services sector, including such professions as appraisal and accounting. We therefore would recommend that the committee be expanded to include representatives from other industry sectors and that an industry advisory committee be authorized to assist the FPC in appreciating the impact of the Capital Accord on the broader financial market.

Furthermore, given the unfortunate history of lending abuse and accounting fraud in the United States, we believe you should extend your inquiry to the impact the Capital Accord will have on accounting policy, truth in lending, and sound and secure banking practices. There are many international professional groups and standard-setting bodies that could offer insight into these areas.

As appraisers and valuation professionals, we are particularly concerned about the impact of the Capital Accord on the valuation of assets. Although the ramifications of the new Capital Accord are not entirely known, the appraisal component is important because valuations and valuation methodology will likely play a significant role in determining an institution's overall capital adequacy under the new standards. Additionally, it will be important for the FPC to consider the interaction between domestic and international appraisal standards to ensure appraisers are not held to two sets of standards when one would suffice.

The movement toward transparency and harmonization evident by the Capital Accord is a necessary step toward enhancing international commerce and bringing emerging markets into the global marketplace more effectively. Where there are internationally accepted standards, practices, and definitions, commerce becomes more regular, markets more stable, and the playing field more even.

Organizations like the International Accounting Standards Board (IASB) and the International Valuations Standards Committee (IVSC) are seeking to harmonize standards in accounting and valuation respectively. In the United States, the Financial Accounting Standards Board (FASB) and The Appraisal Foundation are working with the IASB and IVSC improve markets and standards while enhancing the U.S. position in global markets. In addition to the IVSC and other international bodies, the World Association of Valuation Organizations (WAVO) is helping to shape the development of the appraisal profession within the context of the larger global economy. Through coordinated efforts, international appraisal standards have been established in more than 50 countries. By detailing and expanding valuation standards for financial reporting, major progress has been made in discouraging fraud and abuse.

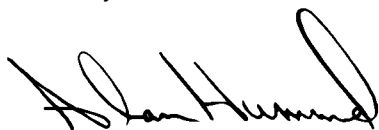
We recognize that the protection of U.S. interests must be weighed in light of these developing international business standards and reforms; however, the FPC should not be established as a watchdog for the United States and its banking industry. The international efforts outlined above, and the interrelationship of accounting, banking, and appraisal argue that the decisions of the Basel Committee on Banking Supervision have implications for more than the domestic financial services sector. With this in mind, we believe the FPC must be a voice committed to meaningful dialogue on an interdisciplinary, international level.

As leaders in appraisal and valuation education, research, publishing, and professional membership designation programs, the Appraisal Institute and American Society of Appraisers play an active role in the international finance system. We regularly work to increase the dialogue and educate policy makers on the importance of sound appraisal standards, qualifications and enforcement systems. The appraisal profession has a long and rich history. From beginnings in surveying, engineering and brokerage, a separate profession has evolved that provides vital links between property and capital. In the past, the development of this profession has often been driven by economic crisis, whether the savings and loan scandals in the United States or the dramatic decline of Asian and other international assets. History has made clear a need for the appraisal profession to be an integral and proactive part of the international financial community.

We believe that our experience and ongoing programs can benefit the Committee and we would be pleased to participate. Our participation is consistent with your intention to evaluate the impact of the revised Capital Accord on real estate, a step we are pleased to see included in the proposal.

Thank you for considering our comments and requests. A member of our staff will be in touch with your office shortly to arrange a time to discuss this issue in more detail. Should you have any questions, please contact Don Kelly, Vice President of Public Affairs, Appraisal Institute, at 202-298-5583 or dkelly@appraisalinstitute.org; or Ted Baker, Executive Vice President, American Society of Appraisers, at 703-733-2019 or tbaker@appraisers.org.

Sincerely,



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