

**Congress of the United States**  
**Washington, DC 20515**

May 17, 2012

Ms. Leslie F. Seidman, Chairman  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Chairman Seidman,

Accurate and transparent financial reporting is the cornerstone of global capital markets. We believe that a formal and open cost-benefit analysis should be an integral part of the financial reporting standard setting process.

Nonetheless, we are very concerned with the unintended economic consequences of the Financial Accounting Standards Board (FASB) and International Accounting Standards Boards' (IASB) joint lease accounting proposal (File Reference: No. 1850-100, *Leases* (Topic 840)) and subsequent updates to this exposure draft. According to a recent study released by Chang & Adams Consulting, the current lease proposal would negatively impact job creation, the health of the U.S. commercial real estate sector, loan covenant agreements, and liabilities of U.S. publicly traded companies.

The report analyzes the current lease proposal under a best case scenario estimated its economic impacts as: (1) increasing liabilities for public companies by \$1.5 trillion; (2) increasing costs to U.S. public companies by \$10.2 billion annually; (3) potentially leading to job losses of over 190,000; (4) reducing U.S. household earnings by \$7.8 billion annually; and (5) lowering U.S. GDP by \$27.5 billion each year.




The results of the Chang & Adams study, along with others, indicate the need for FASB and IASB to fully analyze the economic ramifications of lease accounting rule changes. Real estate is the cornerstone of our economy; however, the commercial real estate market continues to be negatively impacted by high unemployment levels, low consumer confidence, falling property values, and a contraction in lending. A further disruption of this market will have serious negative consequences.

Furthermore, we believe it is imperative that FASB and IASB undertake and publish an all-inclusive economic impact study before any final action is taken on the lease accounting proposal. The study should examine all potential economic consequences for businesses that own, invest, and rent commercial real estate. This should include, but not be limited to possible effects, such as higher rents, further reduced property values due to shortened lease terms, administrative costs and problems resulting from obscured financial reporting, which were not calculated under the Chang & Adams study. Additionally, the potential increase on borrowing costs for all commercial real estate participants as well as the financial and regulatory impact on

lending institutions must be fully examined. Finally, field testing should be undertaken to identify any further potential economic consequences before the proposal is finalized, as well as in the pre and post implementation phases of the final standard.

Thoroughly vetted and sound accounting standards are needed to create certainty in the marketplace for investors and businesses alike. A comprehensive examination of the costs and benefits should be a part of that process.

Sincerely,

  
\_\_\_\_\_  
John Campbell  
Member of Congress  
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Member of Congress  
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David Schweikert  
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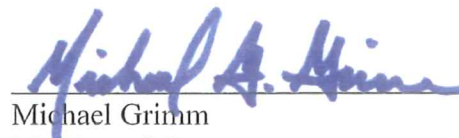
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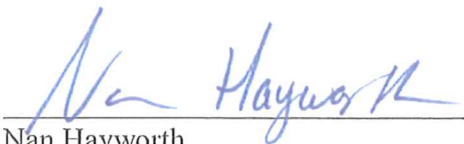
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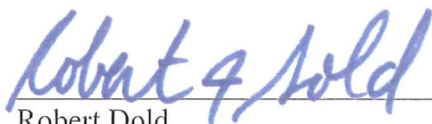
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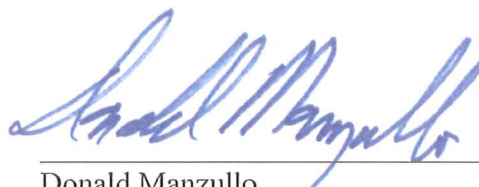
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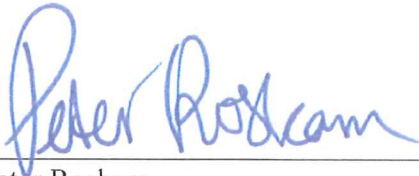


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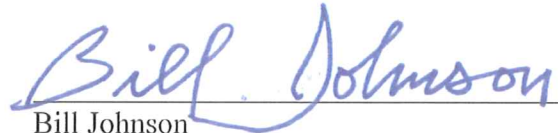
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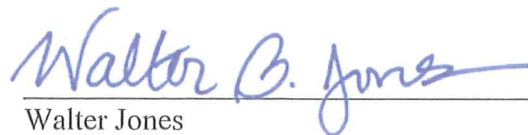
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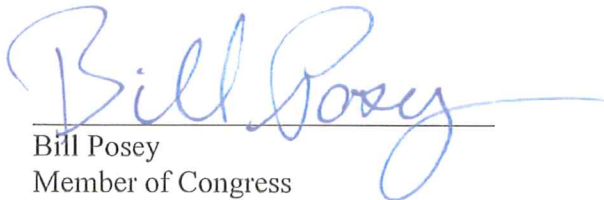
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CC: The Honorable Mary L. Schapiro, Securities and Exchange Commission Chairman  
The Honorable Hans Hoogervorst, International Accounting Standards Board Chairman