

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

December 21, 2018

The Honorable Jay Clayton  
Chairman  
Securities and Exchange Commission  
100 F St, NE  
Washington, D.C. 20549

Dear Chairman Clayton:

We are writing today to express our sincere concerns surrounding accounting standards and the Financial Accounting Standards Board (FASB).

Historically, FASB has been considered the world's preeminent independent accounting standard-setter because of its rigorous process for developing U.S. standards. Given the recent actions by the International Accounting Standards Board to replace FASB as the world standard-setter, it is appropriate for the SEC to evaluate FASB's standard development process to ensure that it retains its well-deserved reputation.

On December 11, 2018, the Subcommittee on Financial Institutions and Consumer Credit held a hearing assessing the impact of FASB's Current Expected Credit Loss (CECL) accounting standard. Panelists representing numerous industries in the financial sector and Members on both sides of the aisle expressed concern over the affects CECL will have on industry, markets, and consumers. In addition to continuing the conversation around the serious policy concerns stemming from CECL, witnesses highlighted process concerns that leave us questioning whether current accounting standard development lacks the rigor and certainty of pre-financial crisis standards needed to meet the needs of investors and other stakeholders.

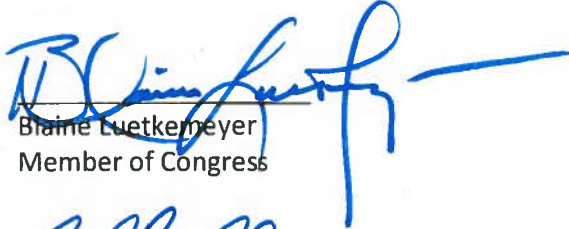
FASB standard setting should be enhanced through formal review and approval processes and ensuring new rules will not create unnecessary accounting volatility or market instability. These enhancements should not apply to CECL alone but to all standards drafted by FASB, and such can be done in a manner that does not undermine FASB's independence.

In evaluating the merit of these enhancements, we encourage you to consider a number of internal processes at FASB, including a reconsideration of the role of Transition Resource Groups (TRGs) and whether FASB re-introduces required pre-issuance field testing. Such a move would ensure that stakeholders including investors and corporate management would be better able to assess and understand how any new standard would affect an entity. We also believe it vital that FASB introduce independent investor surveys. Appropriate education and other background related to key provisions of a standard should be provided to survey participants including field testing insights. Finally, obtaining and reviewing comprehensive cost-benefit analysis is critical. This was a featured topic during the December 11<sup>th</sup> hearing. The cost-benefit analysis must be quantitative and qualitative, especially since new accounting standards require extremely expensive IT implementation work. It is also the SEC's role to ensure that any proposed standard does not create unnecessary volatility for necessary consumer products, such as 30-year mortgages and fixed annuities.

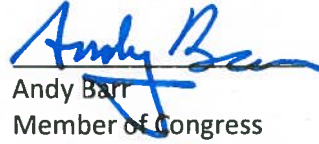
It is the mission of the SEC to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. Protecting and maintaining accounting standards of the highest quality are an important piece to fulfilling that mission. As the agency with ultimate oversight authority with regards to FASB, the SEC must ensure that any changes involving accounting standards should take into account the affects the rule will have on

market stability, accounting unpredictability, and access to credit. Furthermore, it is our hope the SEC will address the concerns raised in the December 11<sup>th</sup> hearing. We thank you in advance for your prompt action.

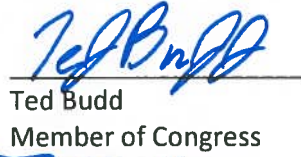
Sincerely,



Blaine Luetkemeyer  
Member of Congress



Andy Barr  
Member of Congress



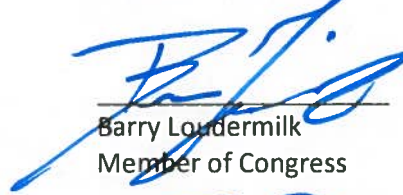
Ted Budd  
Member of Congress




Trey Hollingsworth  
Member of Congress



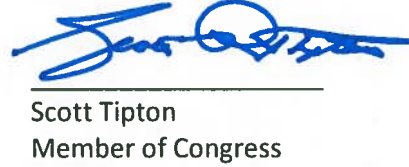
Bill Huizenga  
Member of Congress



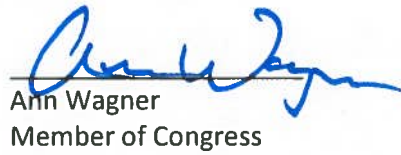
Barry Loudermilk  
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Alexander X. Mooney  
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Scott Tipton  
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Ann Wagner  
Member of Congress