NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

June 21, 2002

Financial Accounting Standards Board
MP&T Director
File Reference No. 1124-001
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Interpretation – Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107

Dear MP&T Director:

The National Association of Real Estate Investment Trusts (NAREIT) is pleased to have the opportunity to respond to the Financial Accounting Standards Board's (the Board) Exposure Draft (ED) of the above referenced proposal. NAREIT is the national trade association for real estate investment trusts (REITs) and other publicly traded real estate companies. Members include REITs and other businesses that develop, own, operate, and finance income-producing real estate, as well as those firms and individuals who advise, study, and service these businesses.

The business of developing, owning and operating income-producing property may involve the guarantee of debt of others. In this context, the accounting standards for debt guarantees are important to producing useful and relevant financial reports for publicly traded real estate companies.

NAREIT strongly supports the Board's efforts to improve disclosures about loan guarantees and agrees with the proposed disclosures required by a guarantor about its obligations under guarantees. However, with respect to the recognition of a liability at fair value for the obligation incurred in connection with the issuance of a guarantee, we agree with the conclusions summarized in paragraph A31 of the proposal:

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- The proposed recognition requirements include insufficient guidance with respect to the initial and subsequent period accounting.
- We do not believe the recognition requirements address substantive needs of financial statement users and, therefore, are concerned that the benefits to be derived from the proposed recognition requirements do not justify their cost of implementation.
- We support prompt issuance of the disclosure requirements but would address recognition issues in a separate more comprehensive project.

If the FASB decides to issue an Interpretation consistent with the proposal that would establish guidance requiring a guarantor to recognize a liability for the fair value of the obligation upon issuance of the guarantee, the FASB also should provide guidance for the subsequent measurement of the guarantor's recognized liability over the term of the guarantee.

The Interpretation also should provide guidance on the appropriate accounting. Specifically, should the debit offsetting the liability be accounted for as a charge to income, a deferred charge, or an entry to "other comprehensive income?" Further, would this debit be amortized (1) over the term of the guarantee and (2) to expense? The proposed Interpretation only provides an example for a situation when there is a related transaction. A final Interpretation also should provide an example when there is no related transaction and/or revenue recognition issue. Without the foregoing accounting guidance, we believe that the Interpretation would result in diversity in practice.

NAREIT appreciates the opportunity to continue to participate in FASB's standard setting process. This comment letter has been reviewed and approved by NAREIT's Best Financial Practices Council. If you have any questions regarding this response, please contact George Yungmann at (202) 739-9432 or David Taube at (202) 739-9442.

Respectfully Submitted,

George L. Yungmann
Vice President, Financial Standards