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April 7, 2005

United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Attn: Mr. John P. Nolan, Accounting Branch Chief, Mail Stop 0408
Mr. Edwin Adames, Senior Staff Accountant, Mail Stop 0408

RE: American Insured Mortgage Investors – Series 85, L.P.
File No. 001-11059
Form 10-K Filed March 8, 2005
Response to Comment Letter dated March 25, 2005

Dear Mr. Nolan and Mr. Adames,

We hereby submit a response to the Staff's Comment Letter to American Insured Mortgage Investors – Series 85, L.P. ("AIM 85" or the "Partnership") dated March 25, 2005 (the "Comment Letter"). The responses set forth below correspond to the numbered comments of the Staff in its Comment Letter.

Form 10-K for the Year ended December 31, 2004

Note 3. Fair Value of Financial Instruments – Page 31

We refer to the statement that the fair values of the FHA-Insured Certificates and GNMA Mortgage-Backed Securities are *priced internally*. In this regard, please provide us with the following information:

1. Tell us supplementally and disclose in future filings the reasons why you use internally developed pricing methodologies to determine the fair value of these securities. Explain why you are unable to use publicly reported market sales prices or bid-and-ask quotations to estimate the fair value of these securities. Refer in your response to paragraph 3 of SFAS 115.

While SFAS 115 applies to equity securities only if they have a readily determinable fair value, paragraph 3 is clear that SFAS 115 applies to *all* investments in debt securities. The Partnership's Insured Mortgages meet the definition of debt securities as defined in paragraph 137 of SFAS 115 and, therefore, are subject to SFAS 115. Please see the discussion in AIM 85's Form 10-K at Note 2 – Significant Accounting Policies, Investment in Insured Mortgages for a description of the FHA-Insured

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Certificates and GNMA Mortgage-Backed Securities (“Insured Mortgages”) held by the Partnership.

The following paragraphs clarify how the Partnership estimates the fair values of its investments in Insured Mortgages. The Partnership expects to include the following disclosure in its “Fair Value of Financial Instruments” in future SEC filings.

There is an active market for *new issuances* of FHA-Insured Certificates and GNMA Mortgage-Backed Securities (“Insured Mortgages”). However, the Partnership’s Insured Mortgages are not comparable to such new issuances due to their age and characteristics of their prepayment penalties. Accordingly, the Partnership internally develops fair value estimates for these securities, as described below.

The Partnership’s fair value estimates for its Insured Mortgages are based on available market information, certain third party information and management’s estimates. The Partnership compares the interest rates on each of its Insured Mortgages to the applicable U.S. Treasury rate for a security with a comparable maturity plus a spread to determine an approximate market level interest rate relative to each of its Insured Mortgages and considers prepayment lockouts and penalties in determining the fair value of its Insured Mortgages. In general, the Partnership’s Insured Mortgages have relatively high coupon rates compared to current U.S. Treasury rates and low, if any, prepayment penalties. Accordingly, most of the Partnership’s Insured Mortgages are valued close to par. Insured Mortgages that have some remaining prepayment penalties are valued to include the prepayment penalty likely to be paid in the event of prepayment. These assumptions are similar to information provided by a third party and provide prices that are consistent with prices received in sales of certain of the Partnership’s Insured Mortgages. The Partnership believes that its valuation methodology is reasonable for determining estimated fair values of the Partnership’s Insured Mortgages and, due to the nature of these Insured Mortgages, another valuation methodology would not result in values materially different from the values utilized by the Partnership which generally approximate their par values.

2. **Explain supplementally and discuss in the “Critical Accounting Policies” section of Management’s Discussion and Analysis in future filings:**

- **The impact of using internally developed assumptions to determine the fair values in your assessment of other-than-temporary impairment to these securities.**
- **How the use of other valuation methodologies to determine fair value might affect your impairment analysis.**

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the success of any business and for the protection of the interests of all parties involved. The document outlines the various methods and systems that can be used to ensure the accuracy and reliability of financial data.

In addition, the document provides a detailed overview of the different types of financial statements that are commonly used in business. It explains the purpose and content of each statement, including the balance sheet, income statement, and cash flow statement. The document also discusses the importance of reconciling these statements and ensuring that they are consistent and accurate.

The second part of the document focuses on the importance of budgeting and financial planning. It explains how a budget can be used to set financial goals, allocate resources, and monitor performance. The document provides a step-by-step guide to developing a budget and discusses the various factors that can affect the accuracy of a budget.

Furthermore, the document discusses the importance of risk management and insurance. It explains how risk management can be used to identify and assess potential risks, and how insurance can be used to protect against financial loss. The document provides a detailed overview of the different types of insurance policies that are available and discusses the factors that should be considered when selecting a policy.

Finally, the document discusses the importance of tax planning and compliance. It explains how tax planning can be used to minimize tax liability and maximize cash flow. The document provides a detailed overview of the different types of tax deductions and credits that are available and discusses the factors that should be considered when developing a tax strategy.

In conclusion, the document provides a comprehensive overview of the various financial and tax issues that are important to the success of any business. It emphasizes the importance of proper record-keeping, budgeting, risk management, and tax planning, and provides a detailed guide to each of these areas. The document is a valuable resource for anyone who is interested in improving their financial performance and protecting their assets.

The document is a comprehensive guide to financial and tax planning, and it provides a detailed overview of the various issues that are important to the success of any business. It is a valuable resource for anyone who is interested in improving their financial performance and protecting their assets.

As explained above, the Partnership does not rely solely on internally developed assumptions to determine the fair values of its Insured Mortgages. The estimated fair values of the Partnership's Insured Mortgages are based on available market information, certain third party information and management's estimates. Furthermore, the Partnership's valuation method currently results in most of its Insured Mortgages being valued closed to par. As these Insured Mortgages have relatively high coupon rates compared to the U.S. Treasury rate for securities with comparable maturities, they would most likely be valued at a premium above par except for the fact that most of them no longer have prepayment lockouts and can be prepaid at any time for a low, if any, penalty. Accordingly, we believe it is unlikely that an alternative valuation method would result in any materially different amounts for the estimated fair values of the Partnership's Insured Mortgages or the related impairment analysis.

The Partnership expects to include the following disclosure in the "Critical Accounting Policies" section of Management's Discussion and Analysis in future filings:

Fair Value of Insured Mortgages - The Partnership's fair value estimates for its Insured Mortgages are based on available market information, certain third party information and management's estimates. The Partnership compares the interest rates on each of its Insured Mortgages to the applicable U.S. Treasury rate for a security with a comparable maturity plus a spread to determine an approximate market level interest rate relative to each of its Insured Mortgages and considers prepayment lockouts and penalties in determining the fair value of its Insured Mortgages. In general, the Partnership's Insured Mortgages have relatively high coupon rates compared to current U.S. Treasury rates and low, if any, prepayment penalties. Accordingly, most of the Partnership's Insured Mortgages are valued close to par. Insured Mortgages that have some remaining prepayment penalties are valued to include the prepayment penalty likely to be paid in the event of prepayment. These assumptions are similar to information provided by a third party and provide prices that are consistent with prices received in sales of certain of the Partnership's Insured Mortgages. The Partnership believes that its valuation methodology is reasonable for determining estimated fair values of the Partnership's Insured Mortgages and, due to the nature of these Insured Mortgages, another valuation methodology would not result in values materially different from the values utilized by the Partnership which generally approximate their par values.

The Partnership assesses each Insured Mortgage for other-than-temporary impairment when the fair value of an Insured Mortgage declines below amortized cost. Any such decline is considered other-than-temporary unless

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The... (faint text)

The... (faint text)

The... (faint text)

The... (faint text)

the Partnership has the ability and intent to hold the Insured Mortgage for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the cost of the investment, and evidence indicating that the cost of the Insured Mortgage is recoverable within a reasonable period of time outweighs evidence to the contrary. If an other-than-temporary impairment is determined to exist, such impairment is measured by comparing the estimated fair value of the related Insured Mortgage to its current amortized cost basis, with the difference recognized as a loss in the income statement. The Partnership did not recognize an impairment loss on its Insured Mortgages during the years ended December 31, 2004, 2003 and 2002.

In connection with our responses to your comments, we acknowledge that:

- AIM 85 is responsible for the adequacy and accuracy of the disclosure in the filings;
- Staff comments or changes to disclosure in response to staff comments in the filings reviewed by the staff do not foreclose the Commission from taking any action with respect to the filing; and
- AIM 85 may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

We trust this letter is responsive to the Staff's comments. If there is anything further we can do to help you in your response to this letter or otherwise expedite your review, please do not hesitate to call me.

Sincerely,



Cynthia O. Azzara

Executive Vice President and Chief Financial Officer

CRIIMI, Inc., General Partner of American Insured Mortgage Investors – Series 85, L.P.

