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April 29, 2013

Via email to director@fasb.org

Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, *Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure* (File Reference No. EITF-13F) ("the ED")

Dear Ms. Cosper:

We are pleased to provide comments on the ED. We agree that the guidance in the ED would promote consistency in the classification for instruments within its scope. Diversity in practice may still exist for other similarly guaranteed loans, such as those guaranteed by private mortgage insurance, the Veterans Administration and the Small Business Administration. Therefore, the Task Force may want to consider broadening the scope of Issue 13F before finalizing it. Our responses to specific questions, including consideration of the scope and other operational considerations, are provided in the appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Gautam Goswami at (312) 616-4631.

Very truly yours,

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Appendix

Question 1: Do you agree with limiting the scope of the guidance in the proposed Update to government-guaranteed residential mortgage loans for which the government guarantee is not separable from the loan and the creditor has the intent and ability to recover the full unpaid principal balance of the loan upon foreclosure? If not, please explain why and discuss the types of guaranteed mortgage loans that also should be addressed.

We note the diversity that the ED addresses mainly relates to the classification of FHA guaranteed residential loans upon foreclosure. We do not object to the ED being issued with its current scope. However, we observe that the proposed guidance may have the unintended consequence of creating further diversity for instruments beyond its scope, depending upon the nature of the guarantee and the loans to which they apply. Specifically, if guarantees are provided for loans beyond the current scope of the ED, would an analogy to the guidance in the proposed amendments be appropriate? If so, would only government guarantees qualify? For example, how should a loan for which a portion is guaranteed by private mortgage insurance, the Veterans Administration or the Small Business Administration be considered and classified upon foreclosure? We note the underlying collateral may not be limited to real estate. As such, the Task Force may wish to consider performing additional outreach and research before finalizing Issue 13F, or perhaps whether a separate project is warranted.

The proposed guidance applies to certain loans for which the guarantee is inseparable and for which the creditor has the intent and ability to act upon that guarantee. Paragraph BC7 of the basis for conclusions discusses "intent" and describes "ability." For example, a creditor would be considered to have the ability to recover under the guarantee at the time of foreclosure if the creditor determines that it has maintained compliance with the conditions and procedures required by the guarantee program. Considering the relevance of these terms in applying the guidance, we suggest that the discussion of "intent" and description of "ability" in the basis instead be included in the Codification. For example, these could be included as implementation guidance.

Question 2: Do you agree that a guaranteed residential mortgage loan within the scope of this proposed Update should be reclassified from loans to other receivables upon foreclosure (foreclosure as determined by paragraph 310-40-40-6)? If not, please explain why.

We agree. However, since the guarantee programs generally have certain requirements as to transfer of title, we suggest that the Task Force address circumstances where a redemption period exists. Specifically, we recommend providing guidance in the final amendments similar to ASU 2014-04 that a right of redemption for residential real estate does not impact the creditor's accounting for the receivable under the guarantee program.

Question 3: The proposed amendments require a single unit of account to be recognized as other receivables upon foreclosure of loans within the scope of the proposed Update. The Task Force decided not to require disclosure of the amount expected to be recovered under the guarantee and the fair value less cost to sell of the real estate for such foreclosed loans. Would it be decision-useful for an entity to provide recurring disclosure of both the amount

expected to be received under the government guarantee and the fair value less cost to sell of the foreclosed residential real estate? If yes, please explain why.

We agree that no disclosure is necessary of the fair value less costs to sell of the foreclosed real estate. Similar to the Task Force's thinking in the ED's basis for conclusions, we note a disclosure of the real estate's value would represent a different measurement attribute that is not reflective of the intent to recover under the guarantee.

Question 4: Do you agree that the proposed amendments should be applied using the same method of transition applied for Update 2014-04, that is, either under the modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual reporting period in which the guidance is effective) or under the prospective transition method? If not, please explain why.

We agree.

Question 5: Do you agree that the proposed amendments should apply to both public entities and nonpublic entities? If not, please explain why.

We agree.

Question 6: Do you agree that an entity should be permitted to early adopt the proposed amendments?

We agree. To avoid any unintended consequences, the Board may consider specifying that the proposed amendments in the ED cannot be early adopted prior to adoption of Update 2014-04.

Question 7: The Private Company Decision-Making Framework states that, generally, amendments should be effective one year after the first annual period for which public companies are required to adopt them and for interim periods thereafter. Should nonpublic entities have one additional year for implementation? Please explain why or why not.

Considering the learning curve, we note that the Board has provided private companies a delayed effective date in other recent standards. We have no objection if the Board similarly wishes to provide a delayed effective date for the guidance in this ED, especially if early adoption is allowed.