FASB Emerging Issues Task Force

Issue No. 09-I

Title: Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset

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FASB Staff: Gonzales (ext. 478)/Mills (ext. 317)

EITF Liaison: Robert Uhl

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Previously distributed EITF materials: None

References:

FASB Accounting Standards Codification Topic 310, Receivables (Topic 310)

FASB Statement No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings (now under Topic 310 and Topic 470) (Statement 15)

AICPA Statement of Position 03-3, Accounting for Certain Loans and Debt Securities Acquired in a Transfer (now under Topic 310) (SOP 03-3)

International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39)

^{*} The alternative views presented in this Issue Summary are for purposes of discussion by the EITF. No individual views are to be presumed to be acceptable or unacceptable applications of Generally Accepted Accounting Principles until the Task Force makes such a determination, exposes it for public comment, and it is ratified by the Board.

Background

- 1. Subtopic 310-30 (formerly, SOP 03-3) of the FASB Accounting Standards CodificationTM (the Codification), addresses accounting for loans acquired in a transfer for which there is evidence of deterioration of credit quality since origination for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. Paragraph 310-30-15-6 allows for assets with "common risk characteristics" to be accounted for in the aggregate as a single pooled asset. When loans are accounted for as a single pooled asset the purchase discount is not allocated to individual loans, thus all of the loans in the pool accrete at a single pool rate (based on cash flow projections for the pool). Under Subtopic 310-30, the impairment analysis is also performed on the single pooled asset as opposed to each individual loan.
- 2. Paragraphs 310-40-15-4 through 15-12 (formerly, Statement 15) establish the criteria for evaluating whether a loan modification should be classified as a troubled debt restructuring (TDR). Specifically, paragraph 310-40-15-5 states, "A restructuring of a debt constitutes a troubled debt restructuring for purposes of this Subtopic if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider." If a modification is considered a TDR, the impaired loan must be accounted for and disclosed according to the relevant provisions of Section 310-10-35.
- 3. Recently there has been an increase in (a) the number of acquired loans that fall under the scope of Subtopic 310-30 and (b) the number of contractual loan modifications for those acquired loans. Some in practice have questioned whether TDR accounting applies when acquired loans with credit deterioration are accounted for as a single pooled asset. Certain entities believe that TDR accounting does not apply to individual loans within the pool. Other entities believe that each modified loan should be evaluated against the TDR criteria (or that the single pooled asset should be evaluated against the TDR criteria). If the loan modification is a TDR, these entities believe that the modified loan should be removed from the pool (or that the single pooled asset should be accounted for as a TDR). Once it is removed from the pool, the loan would no longer be accounted for under Subtopic 310-30. Rather, the loan would be accounted for as an impaired loan under Subtopic 310-10; the loan no longer earns the accretable

yield under Subtopic 310-30 but rather it earns an effective yield under Subtopic 310-10. It is also more likely that the modified loan would be placed on non-accrual status.

4. If an entity concludes a modification of a loan that had evidence of credit deterioration at acquisition and that has been accounted for as part of a single pooled asset results in a TDR, there is a question as to how the removal of the modified loan from the pool should be performed—specifically, whether the entity should use the effective rate for the individual loan or the effective rate of the pool.

Accounting Issues and Alternatives

Issue 1: Whether entities that have modified acquired loans with deteriorated credit quality that were initially accounted for as part of a pool in accordance with paragraph 310-30-15-6 should apply the TDR guidance in paragraphs 310-40-15-4 through 15-12.

View A: An entity should not apply the guidance in paragraphs 310-40-15-4 through 15-12 (that is, TDR accounting) to loans within the scope of Subtopic 310-30 (that is, acquired loans with deteriorated credit quality) that are accounted for as a pool in accordance with paragraph 310-30-15-6.

- 5. Proponents of View A believe that once a pool of loans is established under the provisions of Subtopic 310-30, the unit of accounting is the pool of loans. Specifically, paragraph 310-30-40-1 states, "Once a pool is assembled, the integrity of the pool shall be maintained. A loan shall be removed from a pool of loans only if the investor sells, forecloses, or otherwise receives assets in satisfaction of the loan, or the loan is written off, and it shall be removed at its carrying amount." Further, paragraph B53 of the Basis for Conclusions to SOP 03-3 states, "AcSEC concluded that once a pool is assembled, the pool should be accounted for as a single asset. Therefore the pool is deemed to be the unit of accounting and should be considered one loan for purposes of applying this SOP."
- 6. Opponents of View A believe that if the modification resulted in the lender receiving a new loan in satisfaction of the old loan, the modified loan should be removed from the pool. View A

assumes that the modified loan is not a new loan that is "received" by the lender in exchange for the loan originally purchased. Proponents of View A cite paragraph 310-40-35-10, which states, "A loan restructured in a troubled debt restructuring is an impaired loan. It should not be accounted for as a new loan because a troubled debt restructuring is part of a creditor[']s ongoing effort to recover its investment in the original loan."

- 7. Proponents of View A point out that to the extent the loans being modified represent the lower yielding assets relative to other assets in the pool, removing them could result in an increase to the accretable yield of the remaining pool in future periods. The higher yield of the pool would not be evident in the period of modification, because under paragraph 310-30-35-15: "If a loan is removed from a pool of loans, the difference between the loan's carrying amount and the fair value of the collateral or other assets received shall not affect the percentage yield calculation used to recognize accretable yield on the pool of loans." However, a higher yield would result in the periods subsequent to modification. That is because an entity would update its expectation of the cash flows of the remaining pool, and such projection would reflect a higher yield over the investment, since the poorer performing loans have been removed from the pool.
- 8. Proponents of View A acknowledge that View A would result in less disclosure transparency for modified loans in comparison to View B. That is because the modified loans would not be included in the total for impaired loans required to be disclosed in accordance with the TDR guidance. Those disclosures are enumerated in paragraph 12(c) of this Issue Summary.
- 9. Proponents of View A would consider disclosure requirements in addition to those required for impaired loans to provide users with relevant information regarding modification activity within loan pools accounted for under Subtopic 310-30. The Board's loan loss disclosures project may address the current lack of disclosures related to the volume and extent of an entity's modification activities.

View B: An entity should apply the guidance in paragraphs 310-40-15-4 through 15-12 (that is, TDR accounting) to loans within the scope of Subtopic 310-30 (that is, acquired loans with deteriorated credit quality) that are accounted for as a pool in accordance with paragraph 310-

30-15-6. If the modified loan is a TDR, the modified loan shall be removed from the pool and accounted for as a TDR.

- 10. Proponents of View B believe that evaluating loan modifications within pools to determine whether they qualify as TDRs better reflects the changes in the risk associated with the modified loans. That view is based on the presumption that a modified loan that meets the TDR criteria should reflect higher risk, in terms of both interest income recognition and inclusion in the total impaired loans disclosed, than a loan that does not meet such criteria. Lower interest income would result from the fact that many impaired loans would be on nonaccrual, whereas if they remained in the pool they would have earned the pool's accretable yield. Proponents of View B believe that removal of a TDR from a pool is specifically provided for in paragraph 310-30-35-13, which states, "If an investor subsequently refinances or restructures the loan, **other than through a troubled debt restructuring**, the refinanced or restructured loan should not be accounted for as a new loan, and this Subtopic, including paragraphs 310-30-35-8 through 35-11, continues to apply" (emphasis added). That is, Subtopic 310-30 does not preclude the TDR accounting required by Subtopic 310-40. It is important to note that Subtopic 310-30 was primarily codified from SOP 03-3, whereas Subtopic 310-40 was codified from FAS 15, which was higher in the GAAP hierarchy prior to the Codification.
- 11. Subtopic 310-30 does not permit a loan to be removed from an established pool unless "the investor sells, forecloses, or otherwise receives assets in satisfaction of the loan, or the loan is written off, and it shall be removed at its carrying amount." Proponents of View B believe that taking the loans out of the pool is appropriate because they consider the modified loans to be new loans received in satisfaction of the original purchased loan.
- 12. The application of View B would also result in the following, which View B proponents believe is the appropriate outcome:
 - a. <u>A recognition of impairment</u> The removal of the loan from the pool could result in the recognition of impairment on the modified loan. The modified loan is recorded at the present value of future cash flows, using the effective rate of the loan or the pool prior

- to modification. The future cash flows would be based on the modified terms of the loan, which could be lower than the pre-modification terms.
- b. A reduction in interest income recognition If the modified loans that are considered TDRs and, thus, impaired and are put on non-accrual status, applying View B may result in lower interest income for the entity as a whole compared to applying View A.
- c. The inclusion of the modified loans in the TDR disclosures Entities are required to classify TDRs as impaired loans in accordance with paragraph 310-10-35-2. Under View B, the TDRs removed from the loan pools would be included in the total impaired loans presented. Proponents of View B note that including modifications that are TDRs in the required disclosures for impaired loans would communicate more transparent information about the changes in risk associated with the modified loans. Proponents of View B believe that View A does not communicate to users an entity's increased risk exposure related to loans that have been modified. The following disclosures are required by paragraph 310-10-50-15; under View B, modified loans that are considered TDRs would be included in the following disclosures:
 - i. The total recorded investment in impaired loans at the end of each period
 - ii. The amount of such an investment for which there is a related allowance for credit losses and the amount for which there is no allowance
 - iii. The average recorded investment in impaired loans during each period.
- 13. Opponents of View B note the disclosure requirements of Section 310-30-50 do provide some transparency as to an entity's risk exposure to loans accounted for under Subtopic 310-30. Subtopic 310-30 requires disclosure of the total carrying value of loans falling under its scope at the beginning and end of each period, but does not require disclosure of the average recorded investment in loans within the scope of Subtopic 310-30. However, opponents of View B acknowledge that such disclosures do not separately identify additional risk associated with loans that have been modified since acquisition but continue to be accounted for within the scope of Subtopic 310-30.

View C: An entity should apply the guidance in paragraphs 310-40-15-4 through 15-12 (that is, TDR accounting) at the level of the unit of accounting under Subtopic 310-30.

- 14. Proponents of View C believe that the loan pool should be evaluated to determine whether it constitutes a TDR. They believe that since the pool is the unit of accounting, the pool itself would be subject to the associated TDR accounting requirements. For instance, if 80 percent of loans in a pool have been subject to modification, many would contend that the pool should be considered a TDR.
- 15. Proponents of View C acknowledge that criteria would need to be established to be able to apply TDR accounting at the pool level without it being burdensome. Existing guidance is unclear with regards to how TDR accounting would be applied on a pool of loans.
- 16. Some would contend TDR accounting would require an assessment to be performed at the time of each modification. An alternative requirement may require a TDR assessment be performed when a material amount of modifications occur within an accounting period. Finally, a principles-based requirement to perform a TDR assessment when a material amount of value or a significant proportion of the loans within a single pooled asset have cumulatively been modified since acquisition may be burdensome to apply.
- 17. Aside from how often a TDR assessment would be performed, there is also a question as to what would constitute a TDR. Some contend any contractual concession made to a borrower should result in the pool being a TDR; however, opponents of this view point out that the modification of one loan within a large pool should not cause the entire pool to no longer be accounted for under Subtopic 310-30. A more practical metric would require a comparison of the pool's effective interest rate before and after the modifications. If the pool's effective interest rate decreased due the modifications, then the pool would be considered a TDR.
- 18. Proponents of View C believe that without explicit guidance requiring entities to evaluate when a loan pool is a TDR, there is an opportunity for entities to define those loans that fall within the scope of Subtopic 310-30 into pools consisting of a nominal number of loans, thereby allowing those entities to avoid identifying any loans as TDRs. Take for instance the following example:

- Entity A purchases six loans and decides to pool them into two pools of three loans each, with loans sharing common risk characteristics within each pool. Subsequent to purchase, two loans in each pool (four loans in all) are modified. Under View A, none of the loans (or pools) would be subject to TDR accounting.
- Entity B purchases six loans and decides to account for them individually. Subsequent to purchase, Entity B modified four loans and determined that they were all TDRs.
- 19. Given the fact pattern in the example above, proponents of View C would contend that the ability of Entity A to avoid TDR accounting is based on its ability to argue successfully that the loans in each pool shared "common risk characteristics" at the time of acquisition rather than the economics of the acquisition and subsequent loan modifications.
- 20. Opponents of View C believe that the impact of modifications within a loan pool should only impact the subsequent projection of the pool's cash flows, as provided in Subtopic 310-30. Under Subtopic 310-30, if those modifications result in a decrease in the cash flows expected for the entire pool, an impairment charge would be recorded to earnings.
- 21. Opponents of View C would contend that this requirement would be difficult to implement in practice because, it could produce the need for bright-line tests to establish how often a pool would be assessed for TDR accounting (that is, when a certain percentage of loans by count or by contractual principal are modified). Further, if a pool is considered a TDR when modifications result in a decrease in the pool's effective rate, it would be difficult to separate the impact on the effective interest rate attributable to modifications versus the impact attributable to other factors, such as differences between projected and actual cash flow experience and other changes in future cash flow expectations that are due to factors other than modifications.

Issue 2: If the Task Force reaches a consensus-for-exposure for View B in Issue 1, whether entities should use the pool's effective rate or the individual loan's effective rate to determine the carrying value of the modified loan to be removed from the pool.

- 22. The following example can be used as a reference when evaluating whether the individual loan's or pool's effective rate should be used to determine the carrying value of the modified loan to be removed from the pool:
 - An entity purchases two loans with a carrying value of \$1,000 each. The loans have common risk characteristics. Loan A has an effective rate of 7 percent based on cash flow expectations at the time of acquisition. Loan B has an effective rate of 5 percent, such that the pool's accretable yield percentage is 6 percent (weighted average of 7 percent and 5 percent). No cash is expected on the loans during the first month after acquisition.
 - In the subsequent month, Loan A is modified. The modified loan is considered to be a TDR. What effective rate should the entity use to determine the carrying value of the loan to remove from the pool?
- 23. Paragraph 310-30-40-1 notes, "Once a pool of loans is assembled, the integrity of the pool shall be maintained. A loan shall be removed from a pool of loans only if the investor sells, forecloses, or otherwise receives assets in satisfaction of the loan, or the loan is written off, and it shall be removed at its carrying amount."
- 24. Further, paragraph 310-30-35-15 states, "If a loan is removed from a pool of loans, the difference between the loan's carrying amount and the fair value of the collateral or other assets received shall not affect the percentage yield calculation used to recognize accretable yield on the pool of loans."

View D: An entity shall use the pool's effective rate to determine the carrying amount of the loan to be removed from the pool.

25. Under View D, an entity would apply the pool's effective rate to the loan's expected cash flows prior to modification (that is, the most recent projection of cash flows as performed under Subtopic 310-30) in order to calculate the carrying amount to be removed from the pool. Applying View D to the example above, Loan A would be removed using an effective rate of 6

percent. The remaining loan in the pool would continue to accrete income at the pool's accretable yield of 6 percent. Proponents of View D note that this result is consistent with the requirement under paragraph 310-30-35-15, that the removal of a loan from a pool does not impact the accretable yield percentage of the remaining pool.

- 26. Proponents of View D also contend that View D can be easily applied by entities because the pool's effective rate is always known, whereas the individual loan's effective rate may not be readily available. Many entities cannot readily determine an individual loan's effective rate within a single pooled asset because it may not have determined its initial investment in each individual loan at the time of acquisition. That is because it is unclear whether paragraph 310-30-15-6 requires that the purchaser allocate its purchase price based on relative fair value to the level of individual loans. Any allocation of the purchase discount at the time of purchase is inherently subjective. If the Task Force reaches a consensus for View D, the Task Force may decide to clarify the language in paragraph 310-30-15-6 to clearly state that the allocation of the purchase price on a relative fair value basis does not have to be performed at a level lower than the unit of account (that is, at the pool level, if the pool method is utilized).
- 27. Opponents of View D note that the accretable yield of the remaining pool (consisting of Loan B, with an original effective rate of 5 percent at acquisition) should change. They would contend that not changing the accretable yield to adjust for the removal of Loan A overstates the accretable yield of Loan B as compared to the actual cash flows expected for Loan B, and could result in impairment of Loan B in a future period that would have been unnecessary had the individual loan's effective rate been applied.

View E: An entity shall use the individual loan's effective rate prior to the modification to determine whether the modified loan's effective rate would result in its identification as a TDR.

28. Under View E, an entity would calculate the individual loan's effective rate prior to modification and apply that rate to the loan's expected cash flows prior to modification (that is, the most recent projection of cash flows as performed under Subtopic 310-30) to determine the carrying amount of the loan to be removed from the pool. Proponents of View E believe that this

is the most accurate rate to use, especially when the effective rates of the loans in the pool (or the extent to which they impact the pool's weighted-average effective rate – due to varying principal balances, for instance) vary significantly. In the example provided, after the removal of Loan A at its effective rate of 7 percent, Loan B would continue to accrete at its effective rate determined at acquisition of 5 percent.

29. Opponents of View E note that this would violate the requirement in paragraph 310-30-35-15, that the removal of a loan from a pool should not impact the accretable yield percentage of the remaining pool.

30. Under View E, the loan's effective rate prior to modification must be determined. For an entity to calculate individual loan effective rates in the context of the example provided above, the entity would have to determine the individual loan's carrying value prior to modification. View E would be less burdensome for those entities that determined each individual loan's carrying value at the time of acquisition and subsequently measured carrying value at the individual loan level. If the Task Force reaches a consensus for View E, it may choose to clarify the language in paragraph 310-30-15-6 to explicitly require that purchasers allocate its purchase price on a relative fair value basis to each individual loan within a single pooled asset.

Recurring Disclosures

- 31. If the Task Force reaches a consensus-for-exposure for View A in Issue 1, the Task Force should consider whether to require recurring disclosures similar to those required for impaired loans paragraph 310-10-50-15. An entity could be required to disclose the following related to its exposure to loans that have been modified since acquisition but continue to be accounted for within single pooled assets:
 - a. The total recorded investment in modified loans included in single pooled assets at the end of each period
 - b. The average recorded investment in modified loans included in single pooled assets during each period.

- 32. Entities should also be required to disclose the impact of modifications of loans accounted for within single pooled assets that occur within a given period. For instance, it may be helpful to users of financial statements to have transparency as to the following information:
 - a. Volume of modifications, including the total contractual balance modified during the period, the difference in total contractual principal before and after modification
 - b. The extent of modifications, including weighted average contractual interest rates of modified loans before and after modification.
 - c. The impact of such modifications on the projection of future cash flows for the pool; for instance, whether the modifications caused an increase in the accretable yields of the pools or whether they triggered further impairment.
 - d. Information with regards to the modifications that could be considered material; for instance, significant changes in the creditor's collateral position or significant extensions of maturity dates.
- 33. If the Task Force reaches a consensus-for-exposure for View B or View C in Issue 1, the staff does not believe additional disclosure requirements would be necessary. The modified loans (or pools of loans) that meet the TDR criteria and are no longer considered within the scope of Subtopic 310-30 would be included in the TDR and impaired loan disclosures required by paragraph 310-10-50-15.

International Convergence

34. IAS 39 does not contain specific guidance for loans purchased with indicators of credit deterioration that is different from that for other loans purchased or originated. All originated loans are initially measured at their amortized cost and all loans purchased in a business combination are initially measured at their fair value. Subsequently, all loans are adjusted for effective interest (IAS 39, paragraph 46(a)), unless an entity has elected to carry the loans at fair value under IAS 39. While IFRS does not have separate specific guidance from the standpoint of the creditor surrounding loan modifications and TDRs, IFRS requires an entity to evaluate loans for impairment. There is similar language in IAS 39 (paragraph 59(c)) that indicates that a restructuring that would not otherwise be considered by the lender would be an indicator of

impairment. Under IAS 39, paragraph 64, the measurement of impairment can be done individually or on a group of assets that share common risk characteristics.

Interaction with Other Board Agenda Projects

35. The FASB and IASB have a joint project on financial instruments. However, this Issue is not currently being addressed in that project. The FASB also has an ongoing project related to loan loss disclosures. The loans accounted for according to Subtopic 310-30 are within the scope of that project. Currently, it does not appear that the project would require separate disclosures for loans accounted for as a single pooled asset under Subtopic 310-30.

Transition Method, Transition Disclosures, and Effective Date

36. The earliest a consensus could be reached on this Issue is at the March 2010 EITF meeting. Thus, a consensus would be effective for the second quarter of 2010 for a calendar year-end entity.

Alternative A: A consensus should be effective upon issuance. The consensus would require prospective application only.

- 37. If the Task Force reaches a consensus on View A in Issue 1, for entities currently applying View B in Issue 1, adoption would involve those entities stopping any evaluation of future modifications for TDR accounting. Any loan previously considered to be a TDR (and removed from a pool) should remain outside of the pool upon adoption. It would not be difficult for these entities to adopt the consensus upon issuance.
- 38. If the Task Force reaches a consensus on View B in Issue 1, most would contend that immediate application would be impracticable, given the additional effort needed by entities currently applying View A to be able to apply View B. Such entities would need to design and execute a process whereby an assessment must be performed to (a) evaluate whether the loan modification is a TDR and (b), if the modification is a TDR, determine what the carrying value of the modified loan is that needs to be removed from the pool's carrying value. The time and

effort involved in adopting View B would make it difficult for most entities to be able to apply such a consensus without a longer transition period.

39. If the Task Force reaches a consensus on View C in Issue 1, (that entities should evaluate the entire pooled asset for TDR accounting), some proponents of Alternative A may contend that entities should be able to apply the guidance immediately. Although that would represent a significant change in current practice, entities should have the information and processes in place to evaluate single pooled assets as TDRs. Opponents of Alternative A would contend that application of View C for Issue 1 would require significant analysis and investment in process and resources, such that immediate application would be difficult and burdensome.

Alternative B: A consensus should be effective for fiscal years beginning on or after December 15, 2010. The consensus would require prospective application only. Early adoption would not be permitted.

- 40. If the Task Force reaches a consensus on View A in Issue 1, for entities currently applying View B in Issue 1, adoption would involve those entities stopping any evaluation of future modifications for TDR accounting. Any loan previously considered to be a TDR (and removed from a pool) should remain outside of the pool upon adoption. It would not be difficult for those entities to adopt the consensus by the proposed effective date.
- 41. Proponents of Alternative B believe that most entities would need a considerable amount of investment in time and resources in order to apply View B under Issue 1. Under View B, an entity would need to design and execute a process whereby an assessment must be performed to (a) evaluate whether the loan modification is a TDR and (b), if the modification is a TDR, determine what the carrying value of the modified loan is that needs to be removed from the pool's carrying value. Therefore, entities will not have sufficient time to apply this consensus prospectively until fiscal years beginning on or after December 15, 2010. Proponents of Alternative B believe that entities would be able to adopt a consensus prospectively more easily than if retrospective application were required due to the amount of historical analysis what would need to be performed. However, opponents of Alternative B would contend that there is

sufficient time for entities to adopt the consensus retrospectively; retrospective application would enhance comparability.

42. If the Task Force reaches a consensus on View C for Issue 1 (that entities should evaluate the entire pooled asset for TDR accounting), proponents of Alternative B would contend that entities should be able to apply the guidance by the above effective date. Although that would represent a significant change in current practice, entities should have the information and processes in place to evaluate single pooled assets as TDRs by fiscal years beginning on or after December 15, 2010.

Alternative C: A consensus should be effective for fiscal years beginning on or after December 15, 2010. The consensus would require retrospective application. Early adoption would not be permitted.

- 43. Retrospective application would allow for more comparative information between periods presented as well as comparative information from the entities that are currently applying View A versus those applying View B. However, retrospective application may be burdensome regardless of the consensus reached by the Task Force.
- 44. Under Issue 1, retrospective application of View A may be burdensome for the entities that are currently applying View B. Retrospective application of View A would require these entities to reverse the impact of having removed modified loans that were considered to be TDRs, as well as the associated income statement impact with regards to both yield and loss provisions. While this information should be available in the historical accounting records of those entities that are currently applying View B, the additional effort it would take to retrospectively apply View A would depend on the extent, volume, and timing of modifications that such entities have executed for loans accounted for within single pooled assets under Subtopic 310-30.
- 45. Retrospective application of View B on Issue 1 would be burdensome and impracticable, requiring a significant amount of historical information and effort. In order to retrospectively apply View B, those currently applying View A under Issue 1 would be required to evaluate

whether any modifications that occurred in prior periods were TDRs and, if so, remove them from the pool. As such, most entities currently applying View A would contend that they would need a considerable amount of investment in time and resources in order to retrospectively apply View B.

46. Retrospective application of View C would be similarly burdensome, as it would require those entities currently applying View A to reassess whether any single pooled assets had become TDRs at any point in the past.