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October 10, 2005

Technical Director  
Financial Accounting Standards Board  
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*Via E-Mail to [director@fasb.org](mailto:director@fasb.org)*

Re: File Reference 1220-001

Grant Thornton LLP appreciates the opportunity to comment on the Financial Accounting Standards Board (“the Board” or “FASB”) Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Accounting for Servicing of Financial Assets* (the “Exposure Draft” or “Proposed Statement”). We support the Board’s commitment to improvement of the quality of financial reporting in the area of servicing rights and obligations and have set forth specific recommendations to further assist FASB toward achieving this goal.

Our comments that follow are organized to correspond with the items noted in the Summary and paragraph 2 in the Exposure Draft.

1. We agree with the requirement to initially measure recognized servicing rights at fair value.
2. We agree with permitting entities to subsequently measure servicing assets or liabilities by either (1) amortization and assessment for impairment or (2) measurement at fair value at reporting periods; however, we believe that entities should make an election to either subsequently measure all servicing rights by amortization and assessment for impairment or subsequently measure all servicing rights at fair value each reporting period. For the reasons stated in paragraphs A7 and A8 of Background Information, Basis for Conclusions, and Alternative Views, we do not believe there are compelling reasons for an entity to choose different methods for different classes of servicing rights. We believe that allowing entities to choose different methods for different classes of servicing rights would result in less comparability among entities and create ranges of divergence among entities that financial statement users will find more difficult to assess.

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3. We agree with the additional disclosures required for all separately recognized servicing rights with the exception of the requirement in paragraph 17.f.(8) to disclose, for entities that subsequently measure servicing assets and liabilities by amortization with assessment for impairment, a sensitivity analysis showing the hypothetical effect on fair values of unfavorable variations in key assumptions. For entities that do not subsequently measure servicing assets and liabilities at fair value it does not appear that the benefit to financial statement users of including this disclosure would outweigh the costs given that the servicing assets are not subsequently measured at fair value, but are assessed for impairment. The inclusion of this disclosure could be burdensome for some entities that apply the provisions of Statement 140 to transfers of financial assets.

We agree with the Board's conclusion not to allow provisions whereby entities could transfer securities classified as available-for-sale to the trading category for the reasons stated in Transition for Securities Classified as Available for Sale.

### **Conclusion**

We appreciate the opportunity to comment on these critical matters and would be pleased to discuss our comments with Board members or the FASB staff. If you have any questions, please contact Mark Scoles, Partner, Accounting Principles Group at (312) 602-8780.

Very truly yours,

/s/ Grant Thornton LLP