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Letter of Comment No: 4  
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Technical Director – File Reference 1220-001  
Financial Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116

**Proposed Statement of Financial Accounting Standards**  
***“Accounting for Servicing of Financial Assets***  
***an amendment of FASB Statement No. 140”***

We appreciate the opportunity to comment on the above-referenced proposed amendment to Statement of Financial Accounting Standard No. 140. BB&T Corporation and its subsidiaries offer full-service commercial and retail banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing and trust. With over \$105 billion in assets, BB&T Corporation is the nation’s ninth largest financial holding company.

We commend the Board on its efforts to reconsider Statement 140’s requirements for accounting for servicing rights. We firmly support the elective fair value measurement approach for servicing assets and liabilities. However, as discussed below, we believe additional clarification is needed regarding the definition of major asset classes and the election of the fair value approach to different assets. In addition, we believe the Board should remove the language stating the “fair value measurement method is preferable to the amortization method” in order to clarify that the election is not mandatory.

**General Comments**

We fully support the elective fair value approach that provides the opportunity for entities to align the appropriate accounting and reporting treatment for these assets with their selected risk management strategies. We believe providing the alternatives in reporting servicing rights will achieve the Board’s objective of encouraging more entities to measure these assets at fair value, while recognizing that these assets have many different characteristics and may be managed differently.

We believe the guidance in paragraph 3(c) of the exposure draft should be clarified as to “each class of servicing assets and liabilities” to which the fair value election could be separately made. The guidance states a class of servicing assets and liabilities would be determined by “major asset type” and states “for example, mortgage loans, credit card receivables, and auto loans.” While we concur the election should be separately applied to classes of assets, we believe there should be recognition that entities may manage assets differently within the stated broad

categories due to differing risk characteristics. For example, entities often hedge the risks of residential mortgage servicing rights and do not hedge the substantially different risks of commercial mortgage servicing rights, which typically require the borrower to pay the lender a fee in the event of prepayment of a loan. In these instances, we believe entities should be able to elect different measurement approaches for these significantly different servicing portfolios. We believe that management should have the ability to determine the classes of servicing assets based on the risk characteristics of the underlying assets and the way the economic risks are managed. At a minimum, we believe the Standard should allow mortgage loans to be broken out between residential, commercial and home equity lines of credit loans to permit management to elect the appropriate measurement approach for each portfolio. We believe the disclosures detailed in the exposure draft sufficiently identify and describe the nature of the assets, the measurement technique used, and the instruments used to mitigate the income statement effect of a change in fair value of the servicing assets or liabilities.

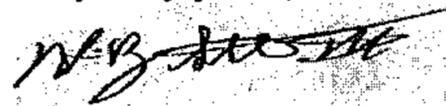
We believe the Board's stated preference for a fair value election (paragraph 3(c)) and the requirement that entities disclose the basis for their decision not to measure using fair value (paragraph 3(d) – section 17(f)(1)) creates a conflict with the proposed statement's objective to permit entities to choose the appropriate subsequent measurement approach. Statement of Financial Accounting Standard No. 154, *Accounting Changes and Error Corrections*, states that the issuance of an accounting pronouncement that expresses a preference for an accounting principle may require an entity to adopt the accounting principle. It also places a burden on an entity to justify why the principle is not adopted. We recommend the Board remove these phrases from the guidance in the exposure draft to clearly indicate that the fair value measurement approach is elective and the use of the amortization approach continues to be consistent with accounting principles generally accepted in the United States.

We recognize the Board currently has two other exposure documents regarding SFAS 140, but we urge the Board to move quickly to release the fair value election guidance in this document in final form as soon as possible.

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Thank you for the opportunity to express our views. If you would like discuss our comments, please call me at 336-733-3020 or Jay Cochrane at 336-733-3920.

Very truly yours,



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Senior Accounting Policy Manager