

August 21, 2009

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: 1700-100

Re: Proposed FASB Statement — *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Statement, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (the "proposed Statement").

We support the FASB's objective to provide investors and users of financial statements with more transparent disclosures about the credit quality of financing receivables and the allowance for credit losses. We believe the proposed Statement represents an improvement to existing standards, and we support the issuance of the proposed Statement as a final standard.

This letter includes two appendixes. In Appendix A, we respond to each of the questions posed by the FASB in the proposed Statement's Notice for Recipients. Appendix B contains our editorial suggestions for the proposed Statement.

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We appreciate the opportunity to comment on the proposed Statement. If you have any questions concerning our comments, please contact John Sarno at (203) 761-3433.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

APPENDIX A
Deloitte & Touche LLP
Responses to Proposed Statement's Questions

Issue 1: The proposed Statement defines a financing receivable as both loans as defined by FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan, and lessors' investment in leases other than operating leases that have been recorded as assets in accordance with FASB Statement No. 13, Accounting for Leases. Do you agree with the definition used to identify a financing receivable subject to the provisions of this proposed Statement? If not, why not?

It is not clear to us why the term "financing receivables" is defined separately since it appears to be the same as the definition of "loans" (the definition of loans in paragraph 3 of the proposed Statement is replicated from the Codification's master glossary). If it is separate because financing receivables are intended to include lessors' investments in nonoperating leases and the definition of loans was not intended to include such items, that distinction should be clearer (although the term "loan" does appear to include such lease-related assets).

In addition, the first sentence of the definition of financing receivables would also potentially include items that meet the definition of a derivative. A derivative can be the right to receive money on demand or on fixed or determinable dates. If the Board did not intend to include derivatives in either the definition of a financing receivable or the scope of the proposed Statement, it should consider revising the definition or scope to clarify this point.

Issue 2: This proposed Statement would apply to all creditors, including all public and nonpublic entities that prepare financial statements in accordance with generally accepted accounting principles. Do you agree with the scope of this proposed Statement? If not, why not?

We agree with the scope of the proposed Statement and generally believe that there should not be a difference between disclosure requirements for public entities and those for nonpublic entities.

However, we note that there is no distinction for financing receivables that are measured and recorded at fair value in each reporting period as a result of a fair value option election. We believe that entities that carry financing receivables that are measured and recorded at fair value in each reporting period should not be included in the scope of the proposed Statement. We understand that as part of its project on recognition and measurement of financial instruments, the Board is addressing whether, for instruments measured at fair value, changes in fair value due to credit risks should be presented separately from other changes in fair value. In addition to the presentation issues, the Board should consider addressing disclosure issues for these instruments.

Because fair value disclosures required under ASC 825-10-50 are optional for certain nonpublic entities, these entities may incur additional cost and effort when providing the required fair value disclosures under the proposed Statement. We believe the Board should consider whether the fair

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value disclosures required by this proposed Statement should also be optional for these nonpublic entities.

Issue 3: This proposed Statement would require a rollforward schedule of the total allowance for credit losses in both interim and annual reporting periods by portfolio segment and in the aggregate. In addition, it also would require a rollforward schedule of financing receivables in both interim and annual reporting periods by portfolio segment and in the aggregate. Do you believe those disclosures will assist financial statement users in better understanding the financial information for the total allowance for credit losses as well as the associated financing receivables? If not, why not?

We recommend that the Board address this issue directly with financial statement users.

We support the goal to provide financial statement users with information that helps them understand the allowance for credit losses as well as the associated financing receivables. As we discuss in Issue 7, we believe that certain entities already provide or have this information available; accordingly, these entities would not incur additional cost and effort when providing the required disclosures under the proposed Statement. However, we recognize that preparers that do not currently provide or have this information readily available may incur additional cost and effort, especially when disaggregating information regarding the allowance for credit losses by portfolio segment. We believe the Board needs to weigh the benefit to financial statement users against the costs associated with preparing this additional information (particularly for entities that do not already provide or have this information available). Also, we are concerned that some users may find the additional disclosures to be “information overload.” Accordingly, we encourage the Board to reach out to a variety of financial statement users to obtain their input on the additional disclosures.

Issue 4: This proposed Statement would require interim and annual credit quality disclosures about a portfolio by class of financing receivable, including quantitative and qualitative information about the credit quality of financing receivables. Do you believe those disclosures will assist financial statement users to better understand the credit quality for the associated financing receivables? If not, why not?

See response to Issue 3 above.

Issue 5: This proposed Statement would require an analysis of the age of financing receivables that are past due, but not impaired, at the end of the reporting period separately for each class of financial instruments. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

See response to Issue 3 above.

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Issue 6: This proposed Statement would require the fair value of loans at the end of the reporting period by portfolio segment. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

See response to Issue 3. In addition, see our response to Issue 2 regarding instances in which entities are not required to subsequently measure or disclosure fair value of loans as well as our comment to consider the scope of the proposed Statement regarding the required disclosures for these entities.

Issue 7: Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Why or why not?

Because *many* entities are already preparing this information for other regulatory reporting, we believe it will be operational for *many* entities to comply with the additional disclosure requirements of the proposed Statement for both interim and annual reporting periods. However, we believe the Board should consider whether entities other than depository institutions that may have loans or other financing receivables would find it more difficult to prepare all of the information required by the proposed Statement. For example, the Board may want to consider retail entities with credit subsidiaries and real estate investment trusts. Since entities that do not currently have systems in place may find it more difficult to collect and prepare this information, we recommend that the Board consider extending the effective date of a final Statement.

Issue 8: The final Statement is expected to be issued in the third quarter of 2009. The Board concluded that this proposed Statement would be effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2009. Do you agree with the Board's decision on the effective date? If not, what would be a reasonable period of time to implement the provisions of this proposed Statement? If you do not agree, please provide a description of the process changes necessary to implement this proposed Statement that would require additional time.

As indicated in our response to Issue 7, we believe that the *many* entities that are already collecting and disclosing the required information will find it easy to implement the proposed Statement's disclosure requirements. However, we believe that some entities within the scope of the proposed Statement may encounter greater operational difficulty (e.g., they may be required to update their systems) because they do not currently collect the required information. Accordingly, we recommend that the Board consider extending the effective date of a final standard to accommodate all entities.

APPENDIX B
Deloitte & Touche LLP
Additional Comments

This appendix contains our suggested editorial changes to the proposed Statement. (Added text is underlined and deleted text is ~~struck out~~.)

Paragraph 6(a)

We believe the language should say, “Classes must segregate financing receivables on the basis of the ongoing ~~initial~~ measurement attribute.”

Paragraph 11

Subparagraph (a) requires entities to discuss risk elements relevant to each portfolio segment. It is not clear what the term “risk elements” means.

Subparagraph (c) asks for disclosure of additions charged to operations and changes in estimates. We believe the Board should clarify the difference, if any, between these two categories, since it would seem that the only time an addition would be charged to operations is if it were a change in estimate. In addition, we believe the Board should clarify subparagraph (c) to address how an entity should include unallocated reserves in the rollforward.

Paragraph 12

We believe the Board should clarify the language in this paragraph since it is an entity’s management, not financial statement users, that should **assess** the fair value of loans. We suggest clarifying the first sentence to say, “A creditor shall disclose information by portfolio segment that enables users of its financial statements to understand ~~assess~~ the fair value of loans at the end of the reporting period.”

Paragraph 13

As in our suggestion for paragraph 12 above, we believe the first sentence of paragraph 13 should read, “A creditor shall disclose information that enables users of its financial statements to understand ~~assess~~ the quantitative and qualitative risks arising from the credit quality of its financing receivables.”

In addition, we believe the Board should clarify the meaning of the term “regulated creditors” in subparagraph (b)(1). For example, does this term include insurance companies, utilities, and other types of creditors in addition to traditional regulated depository institutions?

Subparagraph (c) requires entities to disclose quantitative information about the credit quality of financing receivables that are carried at fair value. As in our comment above regarding the applicability of the disclosure requirements in the proposed Statement to financing receivables

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that are measured and reported at fair value in each reporting period, we question the utility of this disclosure given that the credit quality of the issuer is included in the fair value measurement. Accordingly, we recommend that the Board reconsider the disclosure requirements related to financing receivables that are measured and recorded at fair value in each reporting period.

Subparagraph (d) requires entities to disclose “an analysis of the **age** of the carrying amount of financing receivables” (emphasis added). It is unclear to us whether “age” refers to the age of financing receivable or the length of time the financing receivable has been delinquent.

Finally, we believe that the first sentence in subparagraph (f) should say “The carrying amount of financing receivables at the end of the reporting period that are now considered current but have been modified for credit-related purposes in the current year subsequent to being past due.” In addition, we believe the Board should clarify that if a financing receivable is modified before being past due, it would not be included in the disclosures required by this subparagraph.

Appendix A

In the sample tables showing credit quality information (page 12 of the proposed Statement) and financing receivables on nonaccrual status (page 13 of the proposed Statement), the word “commercial” is misspelled in a few places.