

December 13, 2010

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

File Reference No. 1880-100, Proposed Accounting Standards Update, Receivables (Topic 310), Clarifications to Accounting for Troubled Debt Restructurings by Creditors

We appreciate the opportunity to comment on this exposure draft. Regions Financial Corporation ("Regions" or "the Company"), with approximately \$133 billion in assets, is one of the nation's largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance product services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates approximately 1,800 banking offices and approximately 2,200 ATMs. We provide brokerage services and investment banking through over 300 offices of Morgan Keegan & Company, Inc. Regions also provides full-line insurance brokerage services through Regions Insurance, Inc., one of the 25 largest insurance brokers in the country.

General Comments

Regions agrees there is diversity in practice in identifying Troubled Debt Restructurings (TDRs). However, we do not believe the "clarifications" suggested in the exposure draft present an appropriate resolution to this issue, and we recommend that the Board not adopt a final standard. We question the continued relevancy of the TDR designation. As detailed below, we believe a more appropriate course of action would be to change pending disclosure requirements related to modifications required by ASU 2010-20. We also object to the transition methodology outlined in the exposure draft.

Relevancy of TDR Designation

At a surface level, the TDR designation appears to be conceptually appropriate. Lenders provide loan modifications to troubled borrowers which constitute concessions, designate these restructurings as TDRs, identify the loans as impaired, and provide an allowance for loan losses based on specific identification. However, we ask the Board to consider two situations where loans are being identified as TDRs (or would be under the proposed guidance), where the designation does not correspond to realistic credit quality implications.

Situation A: Assume a 30-year conforming 1-4 family residential mortgage loan is originated. Two years later, the borrower contacts the institution under a customer assistance program. The borrower notifies the bank that one source of repayment is at risk (for example, a spouse became unemployed). The borrower has never been delinquent, but may not be able to make debt service payments after savings are exhausted. The bank works with the borrower to keep him in his home, adjusting the interest rate to make the payment affordable. This modification is clearly a TDR under existing guidance. However, we question whether this designation is meaningful for investors, particularly in light of the fact that the customer has never been delinquent. Some investors interpret the TDR designation as an indication of pending problems, lower credit quality, and higher potential charge-offs. However, the situation above highlights a case where the credit quality concern has been resolved. Nevertheless, because the institution granted terms that it would not grant to a new customer with a similar credit profile, the loan must be classified as a TDR (and an impaired loan) for the remainder of its term (in this case, potentially 28 years). The institution must carry an allowance for the present value of the difference in interest rates before and after the modification, in spite of the fact that the loan is solid in credit quality and has never been delinquent. Regions believes this situation has the potential to confuse users of financial statements. Regions has explained this same kind of situation to investors and analysts related to our disclosures of accruing TDR's.

Situation B: Assume a small business commercial/industrial customer obtains financing from a bank, including a working capital line of credit and a term loan. The company's owner is creditworthy and has provided a personal guarantee. The institution has a first lien on property, and the current loan-to-value is less than 80%. Due to weakening economic conditions, the customer may become unable to fully service debt payments. In an effort to start the workout process, the bank grants the customer interest-only terms for six months and risk rates the loan "special mention." Although not impaired, due to its risk rating the loan will be included in a pool with other similar credits in arriving at the allowance for loan losses. In the allowance calculation the pool is assigned a percentage based on historical losses, adjusted for current conditions. Today, many financial institutions do not consider such a modification to be a TDR, because the modification is short-term and the revised terms were granted in an ordinary course workout situation. However, under the proposed guidance, this modification would be a TDR because the institution would not grant those terms to a new customer with a similar credit profile. We believe all commercial banks grant interest-only terms and short-term forbearances as accommodations to begin the workout process; accordingly, the new guidance will likely result in a significant increase in the numbers of TDRs being reported. However, again we question whether this information is relevant for users of the financial statements. In addition, in the example above the loan must be specifically evaluated for impairment; because of the guarantor and collateral, the calculation would likely result in a specific reserve requirement of zero (as opposed to the special mention allocation which would be recorded had the loan not been impaired). Accordingly, the new guidance would have the counterintuitive result of requiring a lower allowance as a result of expanding the TDR definition for this particular example. We believe this situation is commonplace for commercial lenders.

Regions points out the situations in the two examples above to demonstrate that the TDR designation, as it exists today and as it would exist under the proposed rules, has the potential to

confuse users of financial statements. We believe the TDR designation has lost its significance and does not provide meaningful information to investors. We note that ASU 2010-20 significantly expanded disclosures related to the allowance for loan losses, and requires specific disclosures related to credit quality and loan modifications. For the December 31, 2010 reporting cycle we believe most regional banks will be providing disclosures which for the first time detail internal risk ratings by portfolio segment. We believe a workable solution to the TDR issue would be to change the ASU 2010-20 TDR disclosures to include all modifications (regardless of the TDR designation) by risk rating. Users of the financial statements would have a clear picture of an institution's modification activity across its portfolios, and would be able to draw their own conclusions as to the impact on credit quality based on appropriate information. There would be no need to create new subjective guidance as to what constitutes a concession, and the TDR designation would be obsolete. Further, this solution would eliminate the problem described in Situation B above, where the designation of a loan as a TDR results in a lower allowance for loan losses.

We also note the TDR designation does not exist in IFRS. Given the stated goals to converge standards, we question the need for a new standard on a concept that does not exist in IFRS.

If the Board chooses to move forward with a project, at a minimum we suggest that more research be done related to existing guidance published by federal banking regulators, including Q&As, to ensure that any clarification does not contradict pre-existing literature.

Transition Rules are Not Operational

As stated above, Regions suggests that the Board abandon the exposure draft and move in another direction to address the TDR issue. However, if the Board continues with this project, we ask that further consideration be given to the transition rules, particularly the retroactive application for the disclosure provisions. We believe most banks' IT systems would not be able to capture information related to loans which have subsequently been paid in full, are charged off, or are otherwise off the books. Additionally, for restructured loans which are still on the books, a great deal of time and resources would be required to retroactively identify TDRs under a revised framework. We believe such time and expense far outweighs any benefit of showing revised historical trends. Accordingly, Regions believes that the transition rules as written are not operational. We propose prospective application for any revised disclosures and at least one year of lead time to implement.

"Market Term" Concept is Not Operational

We ask the Board to consider the operational difficulties in assessing if terms of the modification are at market. In October 2009, the federal banking agencies published guidance related to commercial real estate workouts. The interagency release included several Q&As related to "market" terms, especially within the context of returning a non-accrual loan to accruing status. The release indicated that customer-specific factors may be considered in determining if lending terms are at market. Conversely, in 2010 we have learned that many institutions take a much more conservative stance in interpreting the "market" concept in the context of TDRs, because accounting literature makes reference to terms that would be granted to new customers with whom they have no previous relationship. Further, we ask the Board to consider that competing institutions may have different concepts of "market," given differences in strategies for loan

growth in specific products or geographies. In short, we believe that the market term concept is extremely judgmental and will always lead to diversity in practice and less comparability among lending institutions. If the Board retains the TDR concept, we suggest that a more practical alternative is to simply designate loans as TDRs if there is a reduction in interest rate or forgiveness in principal, and eliminate the market-based trigger in identifying a TDR.

We appreciate the opportunity to comment on this exposure draft. Thank you for considering our views. If you have any questions about our comments or wish to discuss this matter further, please contact me at (205)326-4972.

Sincerely,

Brad Kimbrough

Executive Vice President, Controller and

Chief Accounting Officer