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Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5166 Norwalk, CT 06856-5116 13 December 2010

## Re: Proposed Accounting Standards Update, "Clarifications to Accounting for Troubled Debt Restructurings by Creditors" (File Reference No. 1880-100)

Dear Sir or Madam:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, "Clarifications to Accounting for Troubled Debt Restructurings by Creditors" (the Proposed Update).

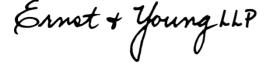
We believe the clarifications in the Proposed Update would result in a more consistent application of the troubled debt restructuring guidance. That being said, we have concerns that the proposed clarifications could inappropriately result in the classification of certain modifications as troubled debt restructurings, as described in the appendix to this letter.

More broadly, we believe the Board should revisit the need for creditors to identify and disclose troubled debt restructurings, particularly given the Board's convergence efforts and the pending changes to the accounting for financial instruments. Users appear to be most interested in the modification activity at a financial institution, as well as loan impairment and the credit quality of the creditor's financing receivables. It is less clear whether users are interested in information related to troubled debt restructurings that do not lead to a change in the allowance for credit losses.

Please refer to the appendix to this letter for our detailed comments and suggestions in response to the guestions in the Proposed Update.

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,



Responses to questions in the Proposed Accounting Standards Update, "Clarifications to Accounting for Troubled Debt Restructurings by Creditors"

Question 1: Would precluding creditors from applying the guidance in paragraph 470-60-55-10, create any operational challenges for determining whether a troubled debt restructuring exists? If yes, please explain why.

We generally believe that determining whether a troubled debt restructuring exists requires judgment, considering all facts and circumstances. As a result, we believe that creditors should be precluded from applying the "bright-line" guidance in ASC 470-60-55-10 in determining whether a concession is granted.

Question 2: Do you believe that the proposed changes to the guidance for determining whether a troubled debt restructuring exists would result in a more consistent application of troubled debt restructuring guidance? If not, please explain why.

We generally believe the clarifications to the Proposed Update would result in a more consistent application of the troubled debt restructuring guidance. However, we expect that diversity in practice will continue to exist in this area given that the determination of whether a modification is a troubled debt restructuring requires judgment.

The guidance proposed in ASC 310-40-15-8 states that if a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be below a market rate and therefore should be considered a troubled debt restructuring. This statement presumes that the borrower is experiencing financial difficulty and a concession has been granted.

While we believe this may be an indicator that a concession has been granted, additional analysis may be needed to determine whether the borrower is experiencing financial difficulty. For example, the debtor may not have access to funds primarily because markets have seized up and there is a lack of liquidity, or the loan may have unique features such that it may not be clear whether the borrower has access to funds at a market rate. Therefore, we suggest deleting the words "and therefore should be considered a troubled debt restructuring."

The Proposed Update would state that a restructuring that results in an insignificant delay in contractual cash flows may still be considered a troubled debt restructuring. While this guidance would seem reasonable on its face, we observe that it is inconsistent with guidance put forth by the banking regulators and has the potential to significantly change industry practice without a clear benefit. More importantly, users may be confused as to why the allowance for credit losses is not increasing significantly while many more modifications are being reported as troubled debt restructurings. We believe this proposed clarification may result in more troubled debt restructurings being reported with no tangible benefit to users.

Question 3: The Board decided that a creditor may consider that a debtor is experiencing financial difficulty when payment default is considered to be "probable in the foreseeable future." Do you believe that this is an appropriate threshold for such an assessment? If not, please explain why.

We agree that a troubled debt restructuring should exist if the creditor concludes that it is probable that the debtor will experience financial difficulty in the foreseeable future, even though that debtor is not currently experiencing financial difficulty. Further, if such payment default is "probable," we question why the guidance would say that the creditor "may" consider the debtor to be experiencing financial difficulty; we believe the creditor should consider the debtor to be experiencing financial difficulty.

We observe that the proposed approach around anticipating financial difficulty is consistent with the views expressed by the SEC staff in 2007 and 2008 in the context of qualifying special-purpose entities (QSPEs) and the ability to modify loans when default is "reasonably foreseeable."

Question 4: Are the proposed transition and effective date provisions operational? If not, please explain why.

We believe the Board should carefully consider the comments by preparers before determining the transition and effective date of any final guidance. We support deferring the effective date of the new disclosure requirements on troubled debt restructurings that are included within ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. We believe this deferral acknowledges the operational challenges that may arise from having different effective dates of standards with similar or overlapping concepts.

While retrospective application of the Proposed Update would provide the most relevant and comparable information for users of financial statements, it also creates a number of operational issues requiring companies to incur additional costs. It is unclear to us how the Board has weighed the costs against the perceived benefits in proposing this transition method. We believe the Board should strongly consider the input of preparers on this point before finalizing the transition guidance.

Question 5: Should the transition and effective date be different for nonpublic entities versus public entities? If so, please explain why.

Consistent with our response to Question 4, we understand that operational challenges may arise from having different effective dates of standards with similar or overlapping concepts. Therefore, we would support aligning the effective date of this Proposed Update with the effective date of ASU 2010-20 for nonpublic entities (i.e., annual reporting periods ending on or after 15 December 2011).

Question 6: Should early adoption of the proposed amendments in this Update be permitted? If so, please explain why.

We believe early adoption of the Proposed Update should be permitted. Allowing early adoption becomes especially important if the Board does not finalize its proposal to defer the effective date of the portion of ASU 2010-20 that relates to troubled debt restructurings.

<sup>&</sup>lt;sup>1</sup> This view can be found in a letter on the SEC website: http://www.sec.gov/info/accountants/staffletters/hanish010808.pdf.