



LETTER OF COMMENT NO. 23

Robert L. Morris
Executive Vice President
and Chief Accounting Officer

November 14, 2008

Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1610-100

Dear Director:

We are writing in response to your invitation to comment on the Exposure Draft entitled *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* ("Exposure Draft").

KeyCorp ("Key"), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at September 30, 2008 had assets of approximately \$101 billion. Historically, financial institutions like Key have commonly sold or securitized existing portfolio loans in the secondary market to lower the concentration of certain loans, protect from unfavorable interest rate movements, satisfy obligations to depositors and creditors, or reinvest sale proceeds into higher yielding assets. The proceeds from these loan sale transfers and the potential income from servicing such loans are an important source of funds for financial institutions. The ability to transfer financial assets is vital to the liquidity of the financial markets.

Since 1993, Key routinely sold certain types of loans (primarily education loans) in term securitizations. Use of these term securitizations has fulfilled investor demand for highly rated investments, reduced Key's cost of funds and concentration of student loans, increased liquidity, and provided greater and more diversified access to capital markets. With each securitization, Key vigilantly and at great cost made sure that the prevailing accounting principles as set forth in the existing SFAS 140 guidance and changing interpretations of SFAS 140 were properly applied. The time and expertise in deal structuring and ensuring the appropriate application of the latest accounting guidance and interpretations were the substantial contributors to the cost of securitization. Key's transfers of education loans culminated in a true sale accounting treatment with the student loans derecognized and a gain or loss on sale recorded.

We believe and have experienced first hand with each securitization since 1993 that frequent changes to the accounting principles applied to such transfers are costly and confusing for financial statement users. It is for this reason that we strongly support the issuance of a single, converged standard by the FASB and IASB. Instead of issuing new guidance as proposed in this Exposure Draft that will be effective for a short period of time, we urge the FASB to work with the IASB to



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develop a single standard to address the accounting for transfers of financial assets. Key requests that the FASB and IASB consider the following comments in the determination of this single accounting standard.

Continuing Involvement Model and Typical Servicing

It is very common, particularly in a securitization that the transferor retains the servicing role for the transferred assets and is the first to be compensated when loan payments are collected and disbursed to the investors. The investors are the primary beneficial interest holders. A no continuing involvement model (i.e., if there is continuing involvement, sale accounting would not be permitted) would be unjustifiable. In this case, it would produce inaccurate financial results for a majority of asset transfers in which the transferor merely acts as the servicer and performs customary servicing functions (i.e., collections, disbursements and rudimentary collateral care to pursue collection) for the transferred assets. Key urges the FASB and IASB to develop a model that would not result in a servicer that is performing typical servicing functions to have to consolidate the underlying assets that are being serviced. When performing typical servicing functions, the servicer is not subject to any risk or reward (assuming fees are at market) related to the underlying assets being serviced.

Consolidation of Assets (not owned) and Liabilities (not owed)

The proposed elimination of the QSPE concept in combination with the proposed FIN 46(R) consolidation guidance for variable interest entities may result in financial institutions consolidating traditional term securitizations that met the sale criteria under the existing SFAS 140 accounting guidance when they were initially completed. Recognizing assets that these financial institutions do not own or control and liabilities that are not owed will not meet the FASB's objective of improving financial reporting. Key encourages the FASB and IASB to focus on and consider the control concepts under SFAS 140 and how these concepts interact with both the existing and proposed consolidation guidance. This will avoid situations which may occur where an entity achieves sale treatment under SFAS 140 yet has to consolidate those same assets under the applicable consolidation guidance.

We hope these comments are useful and positively influence the final guidance. We welcome the opportunity to discuss these issues in more detail. Please feel free to contact Chuck Maimbourg, Director of Accounting Policy & Research, at 216-689-4082 or me at 216-689-7841.

Sincerely,



Robert L. Morris
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Chief Accounting Officer