



LETTER OF COMMENT NO. 41



November 14, 2008

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

File Reference 1620-100: Exposure Draft – Amendments to Statement of Financial Accounting Standards Board Interpretation No. 46(R), *Consolidation of Variable Interest Entities*

Dear Mr. Golden:

We appreciate the opportunity to comment on this proposed amendment. Regions Financial Corporation (“Regions” or “the Company”), with approximately \$144 billion in assets, is one of the nation’s largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates 1,900 banking offices and a 2,400-ATM network. We provide brokerage services and investment banking through approximately 400 offices of Morgan Keegan & Company, Inc.

Regions has involvement in variable interest entities (VIE’s) which we consider to be comparable to peer regional banks. For example, we own common stock of subsidiary business trusts which have issued mandatorily redeemable capital securities (i.e., trust preferred securities). These trusts meet the definition of a VIE of which Regions is not the primary beneficiary. Additionally, we invest in limited partnerships that sponsor affordable housing projects. The partnerships meet the definition of a VIE of which Regions is not the primary beneficiary.

Regions is supportive of the Board’s project to simplify the overly complex, quantitative nature of the application of FIN 46(R). We support the adoption of the proposed amendment as it stands in exposure draft form, with the exceptions described below.

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Continuous Assessment

The proposed amendment requires continuous assessment of whether an entity is a VIE and a VIE's primary beneficiary determination. The Board cites constituent concern that the current guidance (an upfront assessment with reconsideration triggered by certain events) results in inappropriate classification of an entity as either a VIE or voting interest entity. The Board also believes that under the current guidance, an enterprise identified as a primary beneficiary at the inception of a VIE would remain as such even though economic conditions may change such that it no longer has the majority of exposure to the VIE's estimated losses or rights to receive residual returns.

The fact pattern described above is conceivable to us for a limited number of companies whose business model calls for extensive use of highly complex structured vehicles. However, we believe that the current reconsideration guidance remains appropriate for the vast majority of registrants, including Regions. By re-writing generally accepted accounting principles ("GAAP") to address concerns for this relatively small population, the proposed amendment places an onerous burden on many other entities.

As an example, Regions has a significant investment in limited partnerships sponsoring affordable housing projects. These entities are VIE's; however, the bank investor is rarely identified as the primary beneficiary of these structures. The entities are generally privately-held, with updated financial information available only on an annual basis. The proposed amendment appears to require a formal reassessment for each entity on at least a quarterly basis. We do not believe that any incremental precision in FIN 46(R) conclusions would outweigh the cost of performing and documenting such an exercise on a regular basis in this example or most other similar situations.

The Board notes that the proposed continuous assessment concept for VIE's is consistent with longstanding requirements for voting interest entities required by ARB No. 51. However, we believe that changes in consolidation requirements for a voting interest entity are generally much more easily identified. Alternatively, since VIE's are such a unique concept within GAAP, we believe that a unique reconsideration model is acceptable.

For the large majority of companies, we believe that the costs of continuous assessment far outweigh any benefit. As a solution, we suggest that the Board adopt the alternative discussed in paragraph B11 of the proposed amendment where companies make an annual assessment, with interim assessments only when specific triggering events occur.



This appears to be the most balanced and fair solution for the entire body of financial statement preparers, auditors, and users.

Troubled Debt Restructurings

The proposed amendment removes the exemption for troubled debt restructurings allowed under FIN 46(R). With or without the exemption, Regions believes that circumstances requiring us to consolidate a lending customer's financial statements in a troubled debt restructuring would be extremely rare. We believe that the large majority of our regional banking peers will be in the same situation. The removal of the exemption would require creation of controls, processes, and documentation that currently does not exist. The Board appears to reason that the assessment process under the proposed amendment allows for more judgment and should be less costly and require less effort than the current quantitative requirement. While this is certainly true for the vast majority of VIEs, we believe that there would be a significant increase in effort required to document the assessment related to troubled debt restructurings. We envision the potential need for inquiries and questionnaires to be completed by the Company's credit officers who are responsible for working out nonperforming or distressed loans. We believe that the time of our senior lenders (especially in the current environment) is best spent solving business and credit issues, and not responding to accounting inquiries, the result of which we believe will make little difference to the users of our financial statements. Accordingly, we suggest that any final standard retain the exemption for troubled debt restructurings.

Again, we appreciate the opportunity to comment on this exposure draft and we 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,

/s/Brad Kimbrough

Brad Kimbrough
Executive Vice President, Controller and
Chief Accounting Officer

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