

EITF ABSTRACTS

Issue No. 85-8

Title: Amortization of Thrift Intangibles

Dates Discussed: March 28, 1985; May 9, 1985; July 24, 1986

References: FASB Statement No. 72, *Accounting for Certain Acquisitions of Banking or Thrift Institutions*
FASB Statement No. 141, *Business Combinations*
FASB Statement No. 142, *Goodwill and Other Intangible Assets*
FASB Statement No. 147, *Acquisitions of Certain Financial Institutions*
APB Opinion No. 17, *Intangible Assets*

ISSUE

Statement 72 addresses the accounting for certain acquisitions of banking or thrift institutions. According to that Statement, the excess (referred to as the "unidentifiable intangible asset") of the fair value of liabilities assumed over the fair value of assets acquired, including identified intangibles, shall be amortized to expense using the interest method over a period no greater than the estimated remaining life of the long-term interest-bearing assets acquired.

Some recent acquisitions of savings and loan associations have resulted in a situation in which the total amount of the unidentifiable intangible asset arising from the acquisition has exceeded the discount on the acquired long-term interest-bearing assets (due to the payment of cash or a preexisting deficit in the savings and loan association).

The issue is whether the unidentifiable intangible assets acquired should be amortized in accordance with Statement 72 or whether the unidentifiable intangible assets in excess of the discount on long-term interest-bearing assets should be amortized as prescribed under Opinion 17.

EITF DISCUSSION

Modifying a previous consensus on this issue, the Task Force reached a consensus that Statement 72 goodwill (the amount by which the fair value of liabilities assumed exceeds the fair value of the tangible and identifiable intangible assets acquired) should be amortized to expense as specified in paragraph 5 of Statement 72, generally over a period no greater than the estimated remaining life of the long-term interest-bearing assets acquired. [Note: See STATUS section.] Any additional goodwill recognized in the business combination is to be amortized in accordance with Opinion 17. [Note: This consensus has been partially nullified by Statement 142. See STATUS section.]

The SEC staff believes that, in acquisitions of financial institutions, amortization periods longer than 25 years cannot be justified and the maximum amortization period for core deposit intangibles is 10 years.

STATUS

Statement 142, which supersedes Opinion 17, was issued in June 2001. Under Statement 142, goodwill is no longer amortized and is tested for impairment in accordance with Statement 142.

Statement 147 was issued in October 2002 and amends Statement 72 to remove financial institution acquisitions (except for transactions between mutual enterprises) from the scope of Statement 72. Statement 147 requires acquisitions of financial institutions (except for those between mutual enterprises) to be accounted for in accordance with Statements 141 and 142.

The FASB is reconsidering the guidance in Statement 72 as it applies to transactions between mutual enterprises in a separate project. No further EITF discussion is planned.