

## EITF ABSTRACTS

Issue No. 97-3

**Title:** Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations after the Issuance of FASB Statement No. 125

**Date Discussed:** May 21-22, 1997

**References:** FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*  
FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*  
FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*  
FASB Special Report, *A Guide to Implementation of Statement 91 on Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases: Questions and Answers*

### ISSUE

Issue No. 88-17, "Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations," addresses when a transaction structured legally as a loan participation should be accounted for like a syndication (an "in-substance syndication") and when a transaction structured legally as a loan syndication should be accounted for like a participation (an "in-substance participation"). Topic No. D-52, "Impact of FASB Statement No. 125 on EITF Issues," summarizes the consensus reached in Issue 88-17 and states that loan participations, including those described in Issue 88-17 as "in-substance syndications," must be accounted for as transfers of financial assets under Statement 125. Topic D-52 also states that a loan syndication is not a transfer of financial assets and, therefore, the guidance in Issue 88-17 related to transactions structured legally as loan syndications is not impacted by Statement 125.

The issues are:

1. Whether the provisions of Statement 125 apply to loan participations, even if those participations are deemed to be "in-substance syndications"
2. Whether to change the guidance in Issue 88-17 for loan syndications deemed to be "in-substance participations."

## **EITF DISCUSSION**

The Task Force concluded that the consensuses reached in Issue 88-17 should be superseded. The Task Force reached a consensus that the accounting for transfers of financial assets as prescribed in Statement 125 applies to loan participations even if those participations are considered "in-substance loan syndications" as described in Issue 88-17. Therefore, all loan participations should be accounted for in accordance with the provisions of Statement 125.

The Task Force also reached a consensus that all transactions that are structured legally as loan syndications, including those described in Issue 88-17 as "in-substance loan participations," should be accounted for as loan syndications in accordance with the provisions of Statement 91.

## **STATUS**

Statement 140 was issued in September 2000 and replaced Statement 125. Statement 140 does not affect the Task Force consensuses in this Issue.

No further EITF discussion is planned.