December 10, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1880-100

Dear Director:

We are writing in response to your invitation to comment on the Proposed Accounting Standards Update, Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors.

KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at September 30, 2010, had assets of approximately $94 billion and loans of approximately $51 billion. Key’s total nonperforming loans and assets at September 30, 2010 totaled $1.8 billion which included approximately $228 million of troubled debt restructurings (TDRs). As a financial services institution, Key is very interested in any proposed accounting guidance that will impact the accounting for and disclosure of TDRs.

In general, Key has always operated on the premise that it is important to work with any identified borrower who may be experiencing financial difficulty. Proactive negotiations with the borrower are viewed as a positive factor in determining whether we will be able to receive repayment of the amounts owed to Key. This type of activity of knowing your customer, modifications and collectability is reflected in the carrying value of the loan and in the determination of the allowance for loans and leases.

Our overall assessment is that this proposed guidance does not clarify whether a modification of a loan meets the criteria to be considered a TDR. The proposed guidance lacks clarity as discussed in the responses below and will lead to further inconsistencies in the application of this guidance.

TDRs, with the exception of those that have gone through a calendar year since initially being identified as TDRs and are performing, have always been a subset of the nonperforming loan disclosure. From an investor’s perspective, it is not clear to Key that the TDR distinction provides any particularly useful information since these loans are already included in our total nonperforming loan and asset disclosures and in many cases seems to lead to confusion among financial statement users. The FASB should eliminate
this distinction. More useful information to our shareholders and other financial statement users is the identification and disclosure of loans that are not performing in accordance with contractual terms. The amount of investment expected to be collected is relevant as is the amount of investment not expected to be collected as reflected in the ALLL.

In market upheavals such as the one experienced over the last few years, it is difficult not to consider that most, if not all, borrowers experienced or have been experiencing some level of economic or financial challenge. Therefore, depending on the facts and circumstances and how judgment is applied, payment default could be considered probable in many of these situations in the foreseeable future. A few missed cash flows are likely under these types of market circumstances. Key’s goal through these market upheavals is to work with its borrowers to receive the return of our loan principal with interest and to properly reflect the realizable value of these loans at each period end.

It is Key’s position that the current disclosures combined with the new disclosures on credit quality excluding the TDR distinction are sufficient to appropriately inform our shareholders and other financial statement users as to the condition and credit quality of our loans receivable.

Following are additional comments Key has related to this proposed guidance.

Key does not believe that the proposed changes to the guidance for determining whether a troubled debt restructuring exists will result in a more consistent application of the TDR guidance. The determination of TDRs currently involves a significant amount of judgment. The proposed guidance will expand the scope of what may be considered a TDR and may lead to inconsistent interpretation due to the additional use of judgment. For example, the proposed criteria that insignificant delays in cash flows or if a creditor determines that payment default is probable in the foreseeable future could be considered TDRs is wide open to interpretation and application of judgment. A loan should not be considered a TDR until such time that it has been identified as a criticized loan based on regulatory loan credit risk categorization or a certain creditor’s risk-rating grade is attained and a bilateral agreement has been consummated in which the creditor has made a concession such as debt forgiveness or an interest rate reduction or some combination of concessions.

TDRs may become more material relative to total loans since as the guidance is currently written it appears that any loan modification will be presumed to be a TDR even when a creditor’s loan modification policies or practices permit modification that temporarily assist the borrower to service debt so that the creditor may receive the return of its original loan amount.

The proposed transition and effective dates set forth in this guidance are not operational. As noted above, this proposed guidance will significantly expand the scope of loans that may qualify as TDRs. Capturing all such modifications systematically will take time and a considerable amount of resources. Key
believes that the use of additional resources to distinguish a loan that has already generally been identified and included in the amount of nonperforming loans does not provide a significant benefit to investors and shareholders. These resources would be more productively used to monitor our borrowers and work with them to maximize collections rather than providing additional disclosures that will be of questionable value.

As previously indicated in this letter, Key believes the proposed TDR guidance for creditors does not appropriately clarify the existing guidance in this area and will lead to greater inconsistencies in TDR distinctions. We suggest the following:

- Eliminate the TDR distinction
- Clarify the proposed guidance to remove the ambiguity and provide more guidance in terms of applying judgment
- Collaborate with banking regulators to use loan credit risk classification as a clear indicator of borrower financial difficulty such as substandard or doubtful loan credit risk classifications
- Narrow the TDR scope to modifications that involve forgiveness of debt or a reduction in interest rate
- If the proposed guidance is not revised, change to a prospective transition and defer the effective date

******

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

Sincerely,

Robert L. Morris
Executive Vice President &
Chief Accounting Officer