August 24, 2009

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

Via email: director@fasb.org

File Reference No.: 1700-100 Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Dear Mr. Golden:

The Federal Home Loan Bank of Topeka (FHLBank)\(^1\) appreciates the opportunity to comment on the Proposed Statement of Financial Accounting Standards: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (the “proposed Statement”). While we commend the Financial Accounting Standards Board (FASB or Board) for its continued efforts to enhance disclosures, we believe that the level of disclosures and the proposed implementation date are not feasible as discussed in our responses to the issues presented below. We have responded to the issues stated in the proposed Statement, keeping in mind the objective of this project, which is to improve disclosures a creditor provides about the allowance for credit losses and the credit risks inherent in its loan and lease portfolio.

**Issue 1:**
This proposed Statement defines a financing receivable as both loans, as defined by FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan, and lessors’ investment in leases other than operating leases that have been recorded as assets in accordance with FASB Statement No. 13, Accounting for Leases. Do you agree with the definition used to identify a financing receivable subject to the provisions of this proposed Statement? If not, why not?

**Response to Issue 1:**
Yes, the definition of a financing receivable provided in paragraph 3 is adequate.

**Issue 2:**
This proposed Statement would apply to all creditors, including all public and nonpublic entities that prepare financial statements in accordance with generally accepted accounting principles. Do you agree with the scope of this proposed Statement? If not, why not?

**Response to Issue 2:**
Yes, the scope provided in paragraph 2 is adequately defined. Applying the same disclosure requirements to all creditors is appropriate for achieving consistency and comparability across entities.

\(^1\) For information about the FHLBank, see http://www.fhltopeka.com.
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Issue 3:  
This proposed Statement would require a rollforward schedule of the total allowance for credit losses in both interim and annual reporting periods by portfolio segment and in the aggregate. In addition, it also would require a rollforward schedule of financing receivables in both interim and annual reporting periods by portfolio segment and in the aggregate. Do you believe those disclosures will assist financial statement users in better understanding the financial information for the total allowance for credit losses as well as the associated financing receivables? If not, why not?

Response to Issue 3:  
A rollforward of the allowance for credit losses by portfolio segment combined with expanded disclosure of the assumptions and methodologies used to assess the allowance for credit losses at that portfolio level should provide meaningful information to financial statement users. However, a rollforward schedule of the carrying value of financing receivables will not provide meaningful information to financial statement users above and beyond aging schedules. The allowance for credit losses is based on outstanding financing receivables, and current activity in their carrying value provides little insight into the characteristics and inherent risks of the loans that drive the estimated allowance for credit losses. Therefore, the requirement to provide a rollforward schedule of the carrying value of financing receivables should be eliminated from the proposed Statement.

As an alternative to the proposed Statement’s approach to portfolio segments and classes, FASB should consider the disclosures already in the Securities and Exchange Commission’s (SEC) Article 9 of Regulation S-X and in the SEC’s Management’s Discussion and Analysis rules for bank holding companies pursuant to Industry Guide 3, which are much more relevant and useful for assessing risk.

Issue 4:  
This proposed Statement would require interim and annual credit quality disclosures about a portfolio by class of financing receivable, including quantitative and qualitative information about the credit quality of financing receivables. Do you believe those disclosures will assist financial statement users to better understand the credit quality for the associated financing receivables? If not, why not?

Response to Issue 4:  
The additional quantitative and qualitative information should improve financial statement users understanding of the credit quality of the financial receivables. However, the requirement under paragraph 13.b.2. to update the consumer credit score on an annual basis should be revised to only require a disclosure if the credit scores are updated and should include disclosure of the date they were last updated. It is doubtful that this information will provide users with meaningful information and the additional layering of disclosures may serve only to obscure important trends.

Issue 5:  
This proposed Statement would require an analysis of the age of financing receivables that are past due, but not impaired, at the end of the reporting period separately for each class of financial instruments. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

Response to Issue 5:  
Yes, this disclosure will provide meaningful information to financial statement users.
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Issue 6:
This proposed Statement would require the fair value of loans at the end of the reporting period by portfolio segment. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

Response to Issue 6:
This required disclosure will not provide any meaningful information to financial statement users, especially for loans that are collateral dependent. In circumstances when the market value of the collateral is greater than the loan’s fair value, the true exposure disclosed for these financing receivables is overstated. Although fair value does contain elements of credit risk, it is also significantly impacted by other risk factors including interest rate risk. Further, fair value, as currently defined, may not, in certain situations, provide the user with relevant information on the credit quality of financing receivables. Specifically, fair value measurements when markets become illiquid require the use of a liquidity risk factor which often magnifies credit risk trends resulting in a distortion of the inherent value of the financing receivables.

Issue 7:
Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Why or why not?

Response to Issue 7:
While interim disclosures will be beneficial to readers of financial statements, the limited amount of time given SEC registrants to prepare interim financial statements should be taken into consideration. As noted for the following issue, the current implementation date is not feasible and it would be extremely difficult for entities to have processes in place by not only the end of the year, but by the first interim period in 2010.

We agree with the FASB’s conclusion to not require comparative period disclosures for periods prior to the initial adoption because it would be extremely difficult, if not impossible, to provide comparative prior period information.

Issue 8:
The final Statement is expected to be issued in the third quarter of 2009. The Board concluded that this proposed Statement would be effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2009. Do you agree with the Board’s decision on the effective date? If not, what would be a reasonable period of time to implement the provisions of this proposed Statement? If you do not agree, please provide a description of the process changes necessary to implement this proposed Statement that would require additional time.

Response to Issue 8:
Based on the quantity and complexity of new disclosures required under the proposed Statement, the proposed effective date is not feasible. The proposed effective date would require most preparers, including the FHLBank, to provide the new disclosures as of and for the period ending December 31, 2009. The proposed effective date would not provide sufficient time for preparers to identify the segments of financing receivables and to implement and test the processes and internal controls necessary for financial reporting in a controlled environment that is Sarbanes-Oxley compliant. Therefore, we recommend that the proposed Statement be effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2010.
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General Comments  
With the recently proposed approach for the classification and measurement of financial assets and financial liabilities, we recommend that this proposed Statement be reconsidered as part of the international convergence project related to financial instruments. The classification and measurement approach would essentially require all financial assets to be measured at fair value; therefore, eliminating a substantial portion of the proposed disclosures. These disclosures would require a substantial amount of effort to construct and maintain. For that reason, at a minimum such disclosures should be eliminated from the proposed Statement.

We thank the Board for its consideration of the FHLBank’s responses and would welcome the opportunity to discuss this matter with the Board and its staff. Please do not hesitate to contact Denise Cauthon, First Vice President and Controller, at 785-438-6077.

Sincerely,

Andrew J. Jetter  
President and Chief Executive Officer