ZIONS BANCORPORATION

Via E-mail

December 13, 2010

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

Via e-mail: director@fasb.org

Re: File Reference Number 1880-100: Clarifications to Accounting for Troubled Debt Restructurings by Creditors

Dear Technical Director:

Zions Bancorporation ("Zions") appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board’s ("FASB") Exposure Draft of a Proposed Statement of Financial Accounting Standards Update of Topic 310, Clarifications to Accounting for Troubled Debt Restructurings by Creditors ("ED"). Our input is based on our role as a preparer of financial statements and as a regional bank that is a user of community bank financial statements.

Zions is one of the largest regional bank holding companies in the Western United States, consisting of eight banks and about $50 billion in assets. Zions operates its banking businesses under local management teams and community identities through approximately 500 offices in ten Western and Southwestern states: Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. The vast majority of our earning assets are loans, and 80% of those loans are to small businesses, other commercial and corporate businesses, real estate developers and commercial real estate investors in communities within those states.

We support FASB’s efforts to eliminate the diverse accounting practices in existence related to identifying troubled debt restructurings ("TDRs"), but find the current ED impractical to implement. We believe that it will not sufficiently eliminate the diverse methods that companies currently use to identify TDRs, and have the following concerns:

The ED does not converge with IFRS

We oppose making any changes to existing accounting standards that do not converge with IFRS. The FASB and the IASB are currently working on a joint project called Financial Instruments – Impairment. We suggest that any changes to accounting for TDRs be incorporated into this project and that the FASB issue a new converged standard sometime in the future.
The proposal will not provide improved information to investors

The proposed guidance will result in a much larger number of loans being called “TDR” and those loans will remain in that category for an indefinite period of time—until they can be rewritten on terms that can be judged to be “market.” That event is as much a function of whether a “market” exists as it is a function of the TDR loan’s actual performance. There will be inconsistent application of when a loan becomes TDR, and of when it no longer is.

A more important question, which investors ask constantly, is the re-default rate on TDRs. What they really want to know is whether a loan has been restructured in order to truly resolve a problem and improve the ultimate collectability of all or part of the loan, or whether the restructuring has just “kicked the can down the road”—delaying the ultimate recognition of loss. A better approach would be to:

- deem to be a TDR all loans in which a material concession has been made, namely a material reduction in rate, extension of term, or reduction of principal;
- remove from TDR status any restructured loan that has performed under the new terms for at least one year; and
- require disclosure of “re-default loans”, i.e., TDRs that do not perform under the restructured terms within one year, including the amount of loss taken on redefaulted loans. (As stated in proposed ASU 2010-20)

The concept of “market rate” cannot be implemented for most troubled loans

The proposed guidance contains a complex set of factors that the creditor must consider in determining whether a restructured debt constitutes a TDR. One of those factors is a “market rate for debt with similar risk characteristics as the restructured debt”. It is virtually impossible for a bank to obtain or estimate a “market rate” for most distressed loans in its portfolio. This is particularly true for smaller corporate, middle market and small business commercial loans, as well as project loans for real estate construction and development. An active market for such notes does not exist, and in most instances, the borrower is unable to re-finance a troubled loan with another financial institution. Many modifications, which currently are not classified as TDRs, would have to be classified as such, because the lender cannot identify a “market rate” for these loans.

The concepts of “default” and “insignificant delay” should be defined

According to the ED, “default” and “insignificant delay” are important in identifying TDRs. The comparability of financial statements prepared by different organizations will not improve, unless the new accounting standard clearly defines these terms. For example, a “payment default” could be defined as a loan for which a full scheduled payment is 60 or more days past due, and an “insignificant delay” as a delay of 59 days or less.
Retrospective application of the ED is impossible

The retrospective application of the ED would require a filer to re-examine every loan modification that occurred in the periods presented, in order to determine whether the modification should be classified as a TDR. For most modifications, the data required to perform such analysis has not been captured, and therefore it is impossible to apply the proposed ED to past modifications.

We thank the Board for reviewing our recommendations and would be pleased to discuss these issues in more detail with the Board or its staff at your convenience.

Sincerely,

Alexander J. Hume
Senior Vice President and Corporate Controller
Zions Bancorporation