December 13, 2010

Technical Director  
File Reference No. 1880-100  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 1880-100, Proposed Accounting Standards Update, Receivables (Topic 310), Clarifications to Accounting for Troubled Debt Restructurings by Creditors

We appreciate the opportunity to comment on the proposed Accounting Standards Update ("ASU") entitled Clarifications for Accounting for Troubled Debt Restructurings by Creditors ("the proposed guidance"). BB&T Corporation and its subsidiaries offer full-service commercial and retail banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing and trust.

We support the Financial Accounting Standards Board (the "Board") in its efforts to provide investors with increased transparency related to loan modification activity. However, we believe that certain aspects of the proposed guidance are flawed from a conceptual perspective and therefore should be reconsidered by the Board during its re-deliberation process.

Our primary concerns are as follows:

- The proposed guidance would perpetuate a significant difference between U.S. generally accepted accounting principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS"). In light of Board’s stated objective of working with the International Accounting Standards Board ("IASB") to converge U.S. GAAP and IFRS, we believe that the Board should reconsider the adoption of the proposed guidance.

- The concept of troubled debt restructurings is confusing to financial statement users and is frequently misunderstood.

- The determination of what constitutes a troubled debt restructuring will remain a subjective decision under the proposed guidance and, as a result, the enhanced comparability the proposed guidance aspires to create will not occur.
- We believe that financial statement users are more concerned with credit quality and the allowance for loan losses. The adoption of the proposed guidance will significantly increase the volume of troubled debt restructurings but will likely have a minimal impact on the allowance for loan losses.

- The requirement to assess individual troubled debt restructurings for impairment is burdensome and costly. If the Board decides to proceed with this project, it should allow preparers to aggregate troubled debt restructurings with common risk characteristics.

- Ultimately, we believe the best alternative is to require enhanced disclosures related to all loan modifications, as opposed to only troubled debt restructurings. This would eliminate subjectivity and achieve the Board’s objectives of providing greater transparency and improving the comparability of financial information related to loan modifications.

We have summarized certain conceptual and operational issues that we believe warrant consideration in connection with the issuance of the final ASU related to troubled debt restructurings as follows:

**The Board should strive for convergence whenever addressing an accounting concern.**

As the Board is aware, IFRS does not currently reflect authoritative guidance related to troubled debt restructurings, nor is such a project included on the IASB’s agenda. As discussed in further detail below, the implementation of the proposed guidance will be costly and, we believe, will not provide users with useful and comparable financial information. We recommend the Board reconsider the adoption of the proposed guidance as it would lead to continued divergence between U.S. GAAP and IFRS, and result in significant costs with negligible benefits.

**The Board should eliminate the concept of a troubled debt restructuring in light of the changing financial reporting landscape and the lack of useful information provided by the proposed guidance.**

Financial institutions currently provide extensive disclosures related to the credit quality of their respective loan portfolios, including separate disclosures related to impaired loans and the related allowance for credit losses, as well as loans acquired with deteriorated credit quality. Further, the detail and granularity of these disclosures will increase significantly as a result of the adoption of ASU 2010-20, Receivables (Topic 310), *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.*

As discussed in further detail below, the adoption of the proposed guidance would lead to a significant increase in the number of troubled debt restructurings. Troubled debt restructurings, which are deemed impaired under Accounting Standards Codification Topic 310-10-35, are individually evaluated for impairment. We believe the increased
volume of troubled debt restructurings that would inevitably arise as a result of the
proposed guidance will not result in a corresponding increase to the allowance for credit
losses and will not achieve the Board’s objective of improving the usefulness of financial
information related to troubled debt restructurings.

We believe the replacement of disclosures related to troubled debt restructuring activity
with enhanced disclosures that focus on all loan modifications will provide greater
transparency and provide more relevant information for financial statement users. This
will also eliminate the subjective nature of what qualifies as a troubled debt restructuring
and, by extension result in improved comparability of information related to loan
modifications.

The Board should consider replacing the concept of market rate with a rate that
appropriately reflects the risks associated with the borrower.

Paragraph 310-40-15-8A of the proposed guidance states the following related to a
borrower’s access to funds:

“\textit{If a debtor does not otherwise have access to funds at a market rate for debt with}
\textit{similar risk characteristics as the restructured debt, the restructuring would be}
\textit{considered to be at below a market rate and therefore be considered a troubled}
\textit{debt restructuring.”}

Financial institutions manage lending relationships for the preservation of contractual
cash flows and do not take market rate considerations into account when making
modification decisions. Based on this, the interest rate charged in a restructuring is a
subjective measurement that will be a function of the lending institution’s analysis of the
financial wherewithal of the borrower, collateral value, guarantor support and other terms
of the credit. In addition, market rate information is not readily available for many types
of loans, whether for troubled or non-troubled borrowers. For example, market rates for
loans to small businesses are not advertised because they are driven by the specific credit
risk of the loan taking into consideration all of the terms of the individual loan. Under the
proposed guidance virtually all commercial loan modifications would be deemed a
troubled debt restructuring, which we do not believe, is the Board’s intention or provides
useful information for financial statement users.

We believe that the Board should consider replacing the notion of a market rate of
interest with the notion of an interest rate that adequately takes into account the risk
profile of the borrower and the terms of the modification. We believe the use of this rate,
which should reasonably compensate for the risk associated with modification, will
remove the subjectivity created by attempting to identify a market rate of interest.
Further, we recommend the notion of a borrower’s inability to have access to funds at a
rate that reasonably compensates an institution for the risk only is included in paragraph
310-40-55-10A of the proposed guidance as an indicator in determining whether a
borrower is experiencing financial difficulties.
The Board’s proposed changes related to a restructuring that results in an insignificant delay in contractual cash flows are contrary to established practices and other authoritative literature.

Banking regulators have provided interpretive guidance to supplement current accounting literature related to troubled debt restructurings. For example, the Office of the Comptroller of the Currency has stated that if a financial institution determines a short-term modification meets the definition of a troubled debt restructuring but the impact (both quantitative and qualitative) is immaterial, the troubled debt restructuring accounting need not be applied.\(^1\) In addition, paragraph 310-10-35-10 of the Accounting Standards Codification states a creditor need not consider an insignificant delay or insignificant shortfall in amount of payments in individually evaluating a loan for impairment. The guidance in the proposed guidance would nullify established OCC guidance and create inconsistencies with existing codification standards.

Due to the unique nature of commercial loan modifications and restructurings, financial institutions require a fair amount of lead time in order to make sound business decisions that are in the best interest of both the borrower and the institution. For this reason it is common industry practice to impose a three month delay or reduction in payments while working on a permanent modification. The elimination of this exemption would force institutions to make hasty and potentially inadequate modifications, which could result in an increase in charge-offs, simply in order to comply with the proposed guidance.

In addition, due to the volume of insignificant delay modifications that are made by financial institutions, the elimination of the insignificant delay provision would lead to a distorted and inaccurate level of troubled debt restructurings. The increased number of troubled debt restructurings would not provide meaningful insight and clarity of a financial institutions’ overall credit quality to the users of financial statements.

The requirement for retrospective application would create an undue operational burden.

For purposes of measuring the impairment of a receivable, the proposed guidance calls for adoption on a prospective basis. However, for purposes of identifying and disclosing troubled debt restructurings, the proposed guidance would require retrospective application. Applying the proposed guidance to past transactions would be an extremely onerous and costly task. We believe the retrospective application of the proposed guidance would result in a significant operational burden, as preparers did not previously track or have access to market rates for loans that were not considered troubled debt restructurings under current accounting guidance. Additionally, this retrospective application assumes that modification decisions made by entities would have been consistent under either accounting methodology, which is an unrealistic assumption. Had this proposed guidance been in effect during the prior periods, entities very well might have made different decisions in structuring modifications to ensure that such modifications would not be classified as troubled debt restructurings. As a result, we do

\(^1\) Comptroller of the Currency Bank Accounting Advisory Series – October 2010
not believe the retrospective disclosure provides useful information to financial statement users.

**Financial statement users would be better served by providing enhanced disclosures on loan modifications and simplified accounting.**

We believe providing enhanced disclosures for all modifications would provide more meaningful information. We suggest retaining the disclosures currently required under Section a. of ASC 310-10-50-33 and requiring these disclosures for all loan modifications, as opposed to only troubled debt restructurings. Further, we suggest replacing Section b. of ASC 310-10-50-33, as well as ASC 310-10-50-34, with qualitative and quantitative disclosure of modifications by credit quality indicator, which we believe will provide more useful information to users of financial statements.

In addition, we believe that the impairment model should be the same for all loans (including modified loans) with one exception. If the modification encompasses a rate reduction that does not adequately compensate for the credit risk of a given loan, then the loan should be impaired to achieve a rate that reflects the credit risk inherent in the loan.

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We would be pleased to discuss our comments with the Board members or its staff at your convenience.

Very truly yours,

Henry R. Sturkie, III
Assistant Corporate Controller