June 3, 2013

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

Re: File Reference No. 2012-260, Financial Instruments—Credit Losses (Subtopic 825-15)

Dear Ms. Cosper:

Synovus Financial Corp. ("Synovus" or "the Company") appreciates the opportunity to provide feedback on the proposed Accounting Standards Update, Financial Instruments—Credit Losses (Subtopic 825-15) ("Proposed Update" or "Proposal"), issued by the Financial Accounting Standards Board ("FASB").

Synovus is a financial services company and a bank holding company headquartered in Columbus, Georgia. Synovus provides integrated financial services, including commercial and retail banking, financial management, insurance, and mortgage services through 29 locally branded divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee. As of March 31, 2013, Synovus had total assets of approximately $26.2 billion, loans of approximately $19.0 billion, total deposits of approximately $20.6 billion, and total shareholders’ equity of approximately $3.6 billion.

Synovus supports the FASB’s commitment to developing high quality financial accounting standards and improving the comparability of financial information while promoting international convergence of accounting standards. Synovus takes pride in providing detailed, timely and comprehensive financial information to the investment community, and supports standards and interpretations that result in reliable and relevant financial information that can improve investor understanding and allow for more informed decisions. Accordingly, we support the Board’s objective of providing financial statement users with information to allow for more insight about the expected credit losses on financial assets and other commitments to extend credit held by a reporting entity at each reporting date. There are certain aspects of the Proposal that Synovus believes would be beneficial in achieving these objectives, including the ability to consider a broader range of reasonable and supportable information to develop credit loss estimates. Such information would include general economic conditions and the forecasted direction of the economic cycle. However, Synovus is strongly opposed to recording an allowance for the full lifetime expected credit losses for a financial asset when it is originated because recognizing all credit losses expected to occur over the life of the loan in a period different from when the interest income is recognized does not seem appropriate if the loan’s credit quality has not deteriorated.

Synovus agrees that credit losses should be recorded when they are identified, but the life of loan projection required by the Current Expected Credit Loss (CECL) model in the Proposed Update requires companies to make projections farther into the future than can be made with a sufficient level of reliability. Effectively, we believe that the CECL model will require companies to accrue for losses that
are neither reliable nor necessarily expected. Furthermore, the Proposed Update would add a higher degree of subjectivity to estimating credit losses and could potentially lead to less transparency and consistency in practice among financial institutions. We are also concerned with the overall impact to regulatory capital and related ratios. Additionally, implementing the Proposed Update will require wholesale changes to processes, systems, policies and procedures, and internal controls, as well as the creation of new underlying data to support estimates of lifetime credit losses, requiring an extensive, and potentially burdensome, amount of capital and resources, both internal and external. We encourage the FASB to compile information from various institutions regarding the costs of implementation and factor cost considerations into the final standard.

Our comments regarding Questions for Respondents are as follows:

Scope

Questions for All Respondents

Question 1: Do you agree with the scope of financial assets that are included in this Proposed Update? If not, which other financial assets do you believe should be included or excluded? Why?

Synovus Response: No, Synovus does not agree with the scope of financial assets that are included in the Proposal, as we do not believe that applying a single impairment model to all financial assets is practical. Additional consideration should be given regarding the application of this proposed model to investments in debt securities, as we do not believe that impairment for debt securities should be included under the same guidance as loans. The current model for Other Than Temporary Impairment (ASC 320-10-35, formerly FSP FAS 115-2) provides the transparency needed for financial statement users to evaluate credit risk for these instruments, and it should be retained. Recording a life of loan loss estimate for unimpaired debt securities reflects neither how financial institutions nor the market view credit risk. Furthermore, the fair value of these types of securities generally takes into consideration a discount for expected losses. Accordingly, the credit impairment of debt securities is addressed by removing the probable threshold and using the best estimate of the expected present value of cash flows to determine if impairment exists.

Recognition and Measurement

Questions for Preparers and Auditors

Question 9: The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the financial assets’ remaining contractual cash flows. Do you foresee any significant operability or auditing concerns or constraints in basing the estimate of expected credit losses on such information?

Synovus Response: Yes, based on the current wording in the Proposal, Synovus would expect that there would be significant operability and auditing concerns. The proposed amendments would require financial institutions to take into account a variety of new and additional factors in estimating expected credit losses over the life of the loan. Since financial institutions in the U.S. have never looked at the allowance for loan losses from a life of loan approach, significant changes to processes, staffing, and information technology systems will be required to estimate the allowance for loan losses under the Proposal. Generally, for Synovus, loss rates used for determining reserves for non-impaired loans have traditionally been focused on a one-year time horizon. We believe that recognizing expected losses over a time horizon beyond what is estimable using analytical information would introduce undue subjectivity.
and diversity in practice among financial institutions. Moreover, there is high uncertainty inherent in long-term estimations. We respectfully ask the FASB to further discuss this issue, as some financial institutions will have to create new systems and/or hire third-party modeling experts that have access to large amounts of data and are able to integrate economic forecasts effectively into the modeling. In effect, we believe the life of loan approach will require companies to accrue for losses that are neither reliable nor necessarily expected. We do not support the recognition of estimated losses beyond what is reasonable and supportable. Furthermore, there is concern about the level of audit evidence required for long-term, less reliable forecasts. A general agreement needs to be reached with regard to the nature and level of documentation that will qualify as reasonable and supportable and to the level of required audit evidence.

**Question 10:** The Board expects that many entities initially will base their estimates on historical loss data for particular types of assets and then will update that historical data to reflect current conditions and reasonable and supportable forecasts of the future. Do entities currently have access to historical loss data and to data to update that historical information to reflect current conditions and reasonable and supportable forecasts of the future? If so, how would this data be utilized in implementing the proposed amendments? If not, is another form of data currently available that may allow the entity to achieve the objective of the proposed amendments until it has access to historical loss data or to specific data that reflects current conditions and reasonable and supportable forecasts?

**Synovus Response:** Synovus has access to historical loss data and we also consider current market conditions during the allowance for loan loss determination process, as well as reliable estimates of future conditions. Under the proposed framework, we would use our current internal credit risk methodology, which is based on probability of default and loss given default, and then adjust these models to incorporate forecasted events and conditions over the life of the loan. Currently, the credit loss reserves of financial institutions represent losses that are likely to emerge over the next few quarters, which usually represents, for Synovus, one year of expected loan charge-offs. Beyond these time frames, it is very difficult to reliably estimate or forecast credit losses with any degree of reasonable confidence. Furthermore, in paragraph BC20 of the January 31, 2011 Supplementary Document issued by the FASB before the Proposed Update was issued, the FASB states that it believed that “entities could not feasibly forecast macroeconomic factors and economic cycles through the life of the financial assets with a sufficient degree of reliability.”

**Question 11:** The proposed amendments would require that an estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results. This Proposal would prohibit an entity from estimating expected credit losses based solely on the most likely outcome (that is, the statistical mode). As described in the Implementation Guidance and Illustrations Section of Subtopic 825-15, the Board believes that many commonly used methods already implicitly satisfy this requirement. Do you foresee any significant operability or auditing concerns or constraints in having the estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results?

**Synovus Response:** Synovus does not foresee any significant operability concerns in having the credit loss estimate reflect both the possibility that a credit loss results and the possibility that no credit loss results, as we currently use probabilities of default, which are determined based on Synovus’ historical borrower data. However, we believe that the FASB should give additional consideration to the application of this approach for certain government or guaranteed securities (i.e., highly-rated government bonds), which have historically not incurred any credit loss. We are particularly concerned that the guidance, as currently written, will require an increased burden of proof on assets with essentially no default risk. Accordingly, we would propose that the guidance be modified to indicate that the possibility
of loss must be considered, though it may be a near zero probability and therefore, not appropriate to recognize.

**Question 12:** The proposed amendments would require that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly. Methods implicitly reflect the time value of money by developing loss statistics on the basis of the ratio of the amortized cost amount written off because of credit loss and the amortized cost basis of the asset and by applying the loss statistic to the amortized cost balance as of the reporting date to estimate the portion of the recorded amortized cost basis that is not expected to be recovered because of credit loss. Such methods may include loss-rate methods, roll-rate methods, probability-of-default methods, and a provision matrix method using loss factors. Do you foresee any significant operability or auditing concerns or constraints with the proposal that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly? If time value of money should not be contemplated, how would such an approach reconcile with the objective of the amortized cost framework?

**Synovus Response:** Yes, Synovus foresees significant operability concerns with the Proposal that an estimate of expected credit losses reflect the time value of money. Synovus recommends that the FASB eliminate any reference to the time value of money in the calculation of credit loss estimates, as it would create additional unneeded complexity in the calculation.

**Question 13:** For purchased credit-impaired financial assets, the proposed amendments would require that the discount embedded in the purchase price that is attributable to expected credit losses at the date of acquisition not be recognized as interest income. Apart from this Proposal, purchased credit-impaired assets would follow the same approach as non-purchased-credit-impaired assets. That is, the allowance for expected credit losses would always be based on management’s current estimate of the contractual cash flows that the entity does not expect to collect. Changes in the allowance for expected credit losses (favorable or unfavorable) would be recognized immediately for both purchased credit-impaired assets and non-purchased-credit-impaired assets as bad-debt expense rather than yield. Do you foresee any significant operability or auditing concerns or constraints in determining the discount embedded in the purchase price that is attributable to credit risk at the date of acquisition?

**Synovus Response:** Synovus does not have significant operability or auditing concerns about determining the discount embedded in the purchase price that is attributable to credit risk at the date of acquisition. In addition, we believe that financial statement preparers should have the option of applying this accounting treatment to all purchased assets, including those that are not impaired. In effect, we believe there should be an allowance for credit losses set up at acquisition for all purchased loans, including purchased non-impaired loans. Synovus believes that the impact of applying SOP 03-3 accounting to purchased impaired loans has caused divergence among financial institutions in the reporting of the allowance for loan losses metric, which impacts comparability of this metric.

**Question 14:** As a practical expedient, the proposed amendments would allow an entity to not recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost basis of the financial asset and (b) the expected credit losses on the individual financial asset are insignificant. Do you foresee any significant operability or auditing concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

**Synovus Response:** Yes, though Synovus believes that the practical expedient will be rarely used due to the expected rise in interest rates in the future and the impact of those increases on the fair value of existing debt securities. We believe that the practical expedient proposed by the FASB could require an
increase in the number of evaluations for credit impairment for certain debt instruments, even though they exhibit little or no sign of credit deterioration, such as government-sponsored enterprise residential mortgage-backed securities and securities with minimal credit risk, such as certain U.S. Treasury securities. We believe that the practical expedient proposed by the FASB is overly restrictive, as it applies only to debt securities with fair values that exceed amortized cost. We propose that the FASB expand the scope of investments that qualify for the practical expedient by eliminating the requirement that the fair value of the debt security exceed its amortized cost.

**Question 15:** The proposed amendments would require that an entity place a financial asset on nonaccrual status when it is not probable that the entity will receive substantially all of the principal or substantially all of the interest. In such circumstances, the entity would be required to apply either the cost-recovery method or the cash-basis method, as described in paragraph 825-15-25-10. Do you believe that this Proposal will change current practice? Do you foresee any significant operability or auditing concerns with this proposed amendment?

**Synovus Response:** Synovus does not believe that the proposed nonaccrual guidance will significantly change current practice for financial institutions because nonaccrual of interest is a regulatory requirement. The primary difference between the proposed amendments and current regulatory guidance is the proposed framework requires entities to account for the recognition of interest income through either the cost-recovery method or the cash-basis method, whereas current regulatory guidance effectively gives entities this option.

**Question 16:** Under existing U.S. GAAP, the accounting by a creditor for a modification to an existing debt instrument depends on whether the modification qualifies as a troubled debt restructuring. As described in paragraphs BC45–BC47 of the basis for conclusions, the Board continues to believe that the economic concession granted by a creditor in a troubled debt restructuring reflects the creditor’s effort to maximize its recovery of the original contractual cash flows in a debt instrument. As a result, unlike certain other modifications that do not qualify as troubled debt restructurings, the Board views the modified debt instrument that follows a troubled debt restructuring as a continuation of the original debt instrument. Do you believe that the distinction between troubled debt restructurings and nontroubled debt restructurings continues to be relevant? Why or why not?

**Synovus Response:** Synovus does not believe that the distinction between troubled debt restructurings and non-troubled debt restructurings continues to be relevant under the CECL model, as both will require a lifetime loss reserve recorded under the Proposal. Accordingly, we recommend that the FASB discontinue the TDR designation and related disclosures, and implement measures to improve the effectiveness and conciseness of credit quality disclosures that would provide more useful information to investors.

**Disclosures**

**Questions for Preparers and Auditors**

**Question 18:** Do you foresee any significant operability or auditing concerns or constraints in complying with the disclosure proposals in the Proposed Update?

**Synovus Response:** Yes, Synovus foresees significant operability and auditing concerns in complying with the disclosure proposals in the Proposed Update. We believe many of the proposed changes will need to be addressed or clarified before the Proposed Update is operationally feasible. For example, the Proposed Update will require a significant amount of additional subjective qualitative information regarding the factors used to estimate expected credit losses, changes in those factors, along with policies,
methodologies and estimation techniques used to develop the expected credit loss estimates. The additional subjective information will create comparability issues among financial institutions. We recommend that the FASB hold roundtable discussions with financial institutions, investors, and regulators to discuss how much value the proposed disclosures will add before finalizing the proposed standard.

**Question 19:** Do you believe that the implementation guidance and illustrative examples included in this Proposed Update are sufficient? If not, what additional guidance or examples are needed?

**Synovus Response:** Synovus believes that the illustrative guidance and illustrative examples in the Proposed Update need to be expanded. If the scope of the Proposed Update is adopted as proposed, there should be implementation guidance and examples of how to apply a life of loan credit loss concept to debt securities. In addition, more guidance and examples should be provided to explain how loan loss rates are adjusted to develop reasonable and supportable forecasts. Under the Proposed Update, the words “reasonable and supportable” are only broadly described. We believe that there will be too much divergence among financial institutions in determining what is reasonable and supportable.

**Question 20:** Do you agree with the transition provision in this Proposed Update? If not, why?

**Synovus Response:** Synovus believes that a cumulative effect adjustment to the statement of financial position as of the effective date is the most reasonable transition approach for the proposed change in credit impairment. We strongly urge the FASB to consider concerns identified in the comment letters before the Proposed Update is finalized and an effective date is established.

**Question 21:** Do you agree that early adoption should not be permitted? If not, why?

**Synovus Response:** Synovus agrees that early adoption should not be permitted to maintain comparability among financial statements.

**Question 22:** Do you believe that the effective date should be the same for a public entity as it is for a nonpublic entity? If not, why?

**Synovus Response:** Synovus believes that a one year delay in the effective date for nonpublic entities is reasonable and would be in line with amendments of many other standards, as significant resources and effort will be required to implement the proposed CECL model. An extra year would provide the necessary relief for a nonpublic entity to deploy resources and upgrade its systems prior to implementation of the new requirements.

**Question 23:** Do you believe that the transition provision in this Proposed Update is operable? If not, why?

**Synovus Response:** Synovus believes that the transition provision in the Proposed Update is operable.

**Question 24:** How much time would be needed to implement the proposed guidance? What type of system and process changes would be necessary to implement the proposed guidance?

**Synovus Response:** Synovus believes that we would need at least three years to implement the Proposed Update, as wholesale changes to processes, systems, policies and procedures, and internal controls would be required. In addition, new and additional sources of information would be required to be developed or obtained to support estimates of lifetime credit losses. Management would also have to train employees
on all the changes and requirements. Based on the requirements of the Proposal, Synovus recommends a three year implementation time frame from the time the new guidance is finalized.

Thank you again for your consideration of our comments. We hope that our comments and answers are useful and relevant. Please feel free to contact me if you would like to discuss our views or if you have any questions at (706) 644-8405.

Sincerely,

Liliana C. McDaniel
Chief Accounting Officer