September 12, 2013

Technical Director – File Reference No. EITF-13E
Financial Accounting Standards Board
401 Merritt 7
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Response to Proposed Accounting Standards Update, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring

The Principal Financial Group ("Principal") appreciates the opportunity to offer our views on the Financial Accounting Standards Board’s ("FASB") "Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40) – Exposure Draft," ("ED") issued July 19, 2013. The Principal is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through its diverse family of financial services companies. A member of the Fortune 500®, the Principal Financial Group has $456.1 billion in assets under management and serves some 19.1 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States.

The Principal wanted to take the opportunity to highlight a few items that we view as key areas of concern.

General Comments

We believe that the ED should be limited in scope to residential mortgage loans to consumers and not extended to commercial real estate loans or other loans collateralized by nonfinancial assets other than real estate. In the case of commercial real estate loans, the laws and practices are different from residential mortgage loans. For example, frequently a lender can exercise protective rights, but not have legal custody or control because of lender liability laws. Additionally, commercial lenders may enter into Deed in Lieu documents (DIL) with the borrower to be placed in escrow as additional protection. However, those DILs cannot be recorded to create legal title changes until a trigger event (default) occurs. Therefore the lender does not have possession or control of the property and should not record the asset held as real estate. There is substantial legal precedent for legal possession and ownership for commercial real estate loans. We believe that there is no diversity in practice in the commercial real estate lending area and it should remain scoped out from the ED.

The ED would require reporting entities to disclose in the notes to financial statements a roll-forward reconciling the changes from beginning to end of period for residential other real estate owned (REO). We believe that the statement of changes in financial position is designed to show users the material changes in the respective balance sheet line items, and doing roll-forwards of specific accounts or line
items in the notes to financial statements is redundant and often requires reporting entities to disclose immaterial amounts and transactions. REO is normally not a material asset and generally rolls up under "other assets" in the balance sheet. We recommend that the guidance only require a roll-forward if the beginning or ending balances for REO are material or if the activity in the account during the period is material and the material roll-forward data is not otherwise disclosed in the statement of changes in financial position.

Appendix A provides answers to the specific ED questions in light of our expressed views.

We appreciate your consideration of our comments. If you would like to discuss this letter, please contact me at (515) 248-2292 or sanders.angie@principal.com.

Sincerely,

[Signature]

Angela R. Sanders
Senior Vice President and Controller
Appendix A - Questions for Respondents

Question 1: Should the scope of the proposed amendments about the timing of reclassification of receivables to foreclosed residential real estate properties be extended to commercial real estate mortgage loans? If yes, please explain why, including a discussion on any special considerations related to reclassifying commercial real estate mortgage loans.

No, the scope should not be extended to commercial real estate loans. See general comment above.

Question 2: Should the scope of the proposed amendments about the timing of reclassification of receivables to foreclosed assets also be extended to loans collateralized by nonfinancial assets other than real estate (for example, auto loans)? If yes, please explain why, including a discussion on any special considerations related to reclassifying loans that are collateralized by nonfinancial assets other than real estate.

This guidance should not be expanded beyond residential real estate assets. Because loans collateralized by nonfinancial assets other than real estate have other specific facts and circumstances, this guidance will not be applicable.

Question 3: Do you agree that a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon (a) the creditor obtaining legal title to the residential real estate property or (b) completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan, even though legal title may not yet have passed? If not, please explain why.

We agree.

Question 4: Do you agree that the recurring disclosures of (a) the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure according to local requirements 4 of the applicable jurisdiction and (b) a roll-forward schedule reconciling the change from the beginning to the ending balance of foreclosed residential real estate properties provide decision-useful information and should be required to be provided in interim and annual financial statements? If not, please explain why and what disclosures, if any, you would propose.

Depository institutions already disclose consumer mortgage loans in the process of foreclosure in their quarterly call reports. We question how useful such a disclosure would be for non-depositories. We do not agree with the proposed roll-forward schedule for REO. See general comment above.

Question 5: If the scope of the proposed amendments is extended to commercial real estate mortgage loans and/or loans collateralized by nonfinancial assets other than real estate (for example, auto loans), should different disclosures be required for these loans? Please describe how and why you think the disclosures should be different.

We do not agree that the ED should be extended to commercial real estate loans and/or loans collateralized by nonfinancial assets other than real estate, and we believe that no additional disclosures are deemed necessary for these asset classes.

Question 6: Do you agree that the proposed amendments should be applied to both collateralized residential mortgage loans and foreclosed residential real estate properties existing at the date of
adoption by means of a cumulative-effect adjustment as of the beginning of the annual reporting period for which the guidance is effective? If not, please explain why.

We agree.

Question 7: If an entity is required to reclassify foreclosed residential real estate property to consumer mortgage loans upon transitioning to the proposed guidance, at what amount should those loans be recorded at the date of adoption? For example, (a) should the recorded investment in such consumer mortgage loans at the date of adoption be the initial recognition basis of the foreclosed residential real estate property and (b) should any difference between the carrying amount of the foreclosed residential real estate property at the date of adoption and its initial recognition basis be recorded as an allowance for loan losses for such consumer mortgage loans? Please explain the reasons for your view.

We believe that the recorded investment as an REO should be the amount expected to be recovered, net of estimated marketing costs. We believe that is no diversity from current practice so we do not have an additional amount to be recorded as a loss.

Question 8: Do you agree that the proposed amendments should apply to both public entities and nonpublic entities? If not, please describe how and why you think they should be different.

We believe that the ED should be applied to both public and nonpublic entities.

Question 9: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Yes, early adoption should be permitted.

Question 10: How much time would be needed to implement the proposed amendments, and should the effective date differ for nonpublic entities versus public entities? Please explain why.

If the disclosures were not expanded, we believe the guidance could be implemented immediately as we believe this is current industry practice. We believe that implementation of the disclosure requirements could take longer than one year because the information for the rollforward is not easily attainable.