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

File Reference No. 1700-100

Dear Mr. Golden:

We are pleased to comment on the Exposure Draft, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* We support the Board's effort to enhance disclosures about the allowance for credit losses and observe that the Exposure Draft is directionally consistent with the prior Accounting Standards Executive Committee proposals on this subject. However, as described further below, we believe the proposal goes too far, scopes in too many entities, imposes onerous new requirements and would become effective far too soon to allow most entities to comply. We also observe the Board has other significant disclosure and fair value measurement projects in process separately and jointly with the International Accounting Standards Board. To the extent these projects may result in different conclusions or disclosure requirements than what is specified in the Exposure Draft, preparers and auditors will be subjected to changing requirements in very short time periods.

Volume and Relevance of Additional Disclosures

We believe the incremental disclosures proposed in the exposure draft are excessive. Our specific concerns are:

- The analysis of financing receivable activity (paragraph 11d) does not necessarily provide information regarding the credit quality or risks associated with a reporting entity's loan portfolio. A user can already identify the types of loans the reporting entity originates or purchases by reviewing the loan composition disclosure. Data regarding the origination and payments on such loans does not provide additional information that is meaningful to a user. The Board's rational for the decision to not require loan origination and payment activity in the statement of cash flows when Statement No. 104 (amending Statement No. 95) was issued is still appropriate today.
- The detailed disaggregation of the past due age analysis as illustrated on page 12 is too detailed to be a meaningful analysis. We suggest limiting the categories to portfolio segments.
- The fair value of loans by portfolio segment will not provide useful information to the users of financial statements. The objective for this exposure draft is to provide information about the credit quality and risks of a reporting entity's loan portfolio. Fair value estimates require information about market conditions that are unrelated to credit quality. In addition, this requirement will mean entities that are not currently disclosing fair values of financial instruments because they are not in the scope of ASC 825-10-50-3 (Statement No. 107) will be required to compute such fair values.

Requirement to Perform Additional Operating Procedures

It is unclear if the Exposure Draft requires management to perform steps or obtain information not presently part of management's process. An example is 13.b.2:

"Consumer credit risk scores—If a creditor discloses a class of financing receivables on the basis of consumer credit risk scores, then the creditor shall update the consumer credit risk scores on an annual basis and disclose the date or range of dates that the scores were last updated."

This requirement can be read as requiring management to obtain credit scores at least annually, when they may not otherwise do so. We do not believe it is appropriate for an accounting standard to require management to alter operating procedures and the final standard should make it clear that it does not.

Non Public Entities

We believe that smaller non public entities should not be included in the scope of the standard. Most smaller, non-public financial institutions are closely held. The primary users of these financial statements are the stockholders and regulators, both of which generally have access to more information than is disclosed in the financial statements. We recommend that the disclosure requirements of the exposure draft be limited to public entities and those with total assets in excess of \$500 million.

Applicability to Entities Other Than Financial Institutions

The Exposure Draft seems to be written from the perspective that a reporting entity will have multiple loan types. In the case of many finance companies, there is only one loan type. Further, these companies only have homogeneous loans and would therefore, not have specific reserves on impaired loans. For this reason, it seems that many of the disclosure requirements should be reduced for such entities. In addition, entities that are not financial institutions with receivables included in the scope may not routinely obtain some of the information required by the Exposure Draft. We suggest the final standard be clear that an entity is only required to disclose information they routinely use to evaluate credit losses.

Timing of Effective Date

The Exposure Draft proposes the effective date to be interim and annual periods for periods ending after December 15, 2009. Since a final standard will not likely be issued until October 1, 2009 or later, the effective date is unrealistic. With the release of the Accounting Standards Codification and all the other recent standards issued and effective in 2009 and 2010, preparers and auditors will not have sufficient time to learn about the requirements of the final standard in time to revise control systems as necessary and draft the disclosures. We suggest a full year deferral of the effective date to annual periods ending after December 15, 2010.

Other

It is unclear how the proposal applies to loans accounted at fair value under the fair value option or otherwise reported at fair value such as a target's loans shortly after a business combination is consummated.

We would be pleased to respond to any questions the Board or its staff may have about any of the preceding comments. Please direct any questions to Jay D. Hanson (952-921-7785).

Sincerely,

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