

VIA Electronic Mail (director@fasb.org)

February 2, 2010

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

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Dear Board Members and FASB Staff:

The Mortgage Bankers Association (MBA) appreciates the opportunity to comment on the FASB Proposed Accounting Standards Update, Receivables (Topic 310), Effect of a Loan Modification When the Loan is Part of a Pool That Is Accounted for as a Single Asset (proposed Update).

Generally Accepted Accounting Principles (GAAP) allow acquired assets that have evidence of credit deterioration upon acquisition with common risk characteristics to be accounted for in the aggregate as a pool. Upon establishment of a pool, the pool becomes the unit of accounting. GAAP also requires that impairment analysis be performed on the pool as a whole as opposed to each individual loan.

Recently there has been an increase in the number of acquired loans that fall under the scope of Subtopic 310-30. Receivables- Loans and Debt Securities Acquired with Deteriorated Credit Quality (Subtopic 310-30). Likewise, the number of contractual loan modifications for those acquired loans has increased. Diversity in practice has developed about whether a loan that is part of a pool of

the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure

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loans accounted for as a single asset should be removed from that pool upon modification and accounted for as a single asset.

The proposed Update states that modifications of loans that are accounted for within a pool would not result in the removal of those loans from the pool even if the loans would otherwise be considered troubled debt restructurings.

MBA agrees with the proposed Update. MBA has the following responses to the specific questions from the proposed Update.

Specific Comments

Question 1: Do you agree that entities should not evaluate whether loan modifications of loans accounted for within pools under Subtopic 310-30 meet the criteria to be accounted for as troubled debt restructurings? If not, why not?

MBA Response: MBA's members acknowledge that diversity in practice exists with respect to the application of Subtopic 310-30. MBA believes that once an entity designates the pool as the unit of accounting, individual loans within a pool that are modified should not be individually analyzed and reported under the rules for troubled debt restructurings.

Question 2: The Board has a separate project on its agenda relating to improving disclosures on loan losses. Are there specific disclosures that the Board should consider that would be helpful for users about pools of loans accounted for under Subtopic 310-30 or loans modified within those pools?

MBA Response: For the most part, MBA does not believe that quantitative loan-level disclosures are appropriate or necessary for modified loans when the pool is designated as the unit of accounting. The economic impact of loan modifications for loans within a pool is included in the impairment analysis and disclosures related to pools, as appropriate.

If the Board ultimately decides to propose additional disclosures about individual loans that are accounted for as part of a pool, it should bear in mind that certain information may not be readily available (due to the pool-level unit of accounting), or that potentially costly system enhancements may be required to compile the data for such disclosures. Additionally, because many entities who account for loans at the pool level do not maintain certain types of information at the loan level (e.g., cash flow estimates, carrying values or effective interest rates), providing loan-level disclosures using pool-level data would be inherently imprecise. Finally, the Board should be mindful of the fact that, in any given period, numerous factors will impact the timing and amounts of expected cash

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flows at the pool level. Therefore, care should be taken to ensure that any additional required disclosures do not result in improper overemphasis of any individual factor.

The MBA also believes that additional disclosure requirements should be considered as part of the Board's ongoing project on loan loss disclosures rather than through this proposed Update.

Question 3: Paragraph 310-30-40-1 requires a loan to be removed from a pool of loans at its carrying value if the investor sells, forecloses or otherwise receives assets in satisfaction of the loan, or the loan is written off. The Task Force noted that there was diversity in practice regarding the determination of the carrying amount of a loan removed from a pool. While amendments in this proposed Update do not directly affect and are not affected by this diversity in practice, do you believe that additional guidance is needed to clarify how the carrying value of a loan should be determined upon removal from a pool? If so, do you have suggestions on what those clarifications should be?

MBA Response: MBA notes that some entities have pushed down purchase accounting adjustments to the individual loan level and can identify unamortized discounts on loans sold, foreclosed or otherwise satisfied. Because these entities are adjusting the basis of the underlying loans, the actual cost basis of the loan can be removed from the general ledger when the loan is liquidated.

Others have interpreted Subtopic 310-30 as not requiring purchase accounting adjustments to be pushed down to the loan level. Certain of these entities may not presently have the operational capability to push down the adjustments and otherwise perform accounting at the loan level. Those entities that have not pushed purchase accounting adjustments down to the loan level typically reverse a ratable portion of the nonaccretable difference for loans sold, foreclosed or otherwise satisfied. In other words, any amount received on liquidation of the loan is assumed to be the amount expected to be received. Any shortfall or excess would then be determined and accounted for at the pool level the next time that entity updates its expected cash flows for the pool.

MBA members have indicated that this diversity in practice has developed as a result of both differing interpretations about the requirements of Subtopic 310-30 and operational considerations (i.e., system limitations) regarding pushing down purchase accounting to the loan level. The MBA does not believe a separate Update is necessary. Similar to the considerations above regarding disclosures, a requirement to remove loans from a pool based on pushed down carrying values at acquisition would require some entities to make costly system changes,

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which would also be difficult to implement retrospectively. The benefit of such changes would likely not outweigh the cost.

Question 4: Upon adoption of the amendments in this proposed Update, should entities receive the option to make a one-time election to change the unit of accounting from a pool basis to an individual loan basis? If not, why not? Entities that make this election would then be required to apply the troubled debt restructuring guidance to future loan modifications on an individual loan basis.

MBA Response: MBA does not foresee any entity making a one-time election to change the unit of accounting from a pool basis to an individual loan basis. However, MBA would not object to this election being included in the final Update.

Question 5: Do you agree with the proposed effective date and transition method?

MBA Response: MBA agrees with the transition rules and early application permission. However, MBA urges FASB take action quickly to allow for early application during the first calendar quarter reporting cycle.

The MBA appreciates the opportunity to share these comments with the Board. Any questions about MBA's comments should be directed to Jim Gross, Associate Vice President and Staff Representative to MBA's Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org.

Sincerely,

John A. Courson

President and Chief Executive Officer