



February 12, 2010

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

File Reference No. EITF0901

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed Accounting Standards Update, “Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset (a consensus of the FASB Emerging Issues Task Force).” The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual view of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

Responses to Questions

Question 1: Do you agree that entities should not evaluate whether 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?

We agree with the Board’s conclusion that entities should not evaluate whether a debt modification constitutes a troubled debt restructuring for individual loans within a pool. We believe the unit of accounting is the pool of loans and not the individual loans within the pool. We do not think a restructured loan within the pool is a new loan that replaces the debt originally purchased. A new loan would be made with very different underwriting decisions. The purchased debt is restructured solely to recover the investment in the original loan. Therefore, we do not believe that the restructured loan should be removed from the pool and accounted for as a new loan.



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?

We acknowledge that there is less transparency when loans are managed as a pool. We believe some of the same disclosures that are required when loans are originated would benefit financial statement users about loans accounted for under Subtopic 310-30. For example, what are the accounting policies for the pooling of loans? How does the entity determine when to account for those loans individually and when to account for those loans in pools? What criteria do they use to assemble loans into pools? Also, the user would benefit from information about the loans subsequent to acquisition. What is the aging of past due loans and how is past due status determined? What is the average recorded investment in modified debt during the period?

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 the 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?

If there is diversity in practice, additional guidance would be helpful. Since we believe the unit of accounting is the pool and the loans are managed as a pool, we think the pool's effective rate should be used to determine the carrying value of the loan removed from the pool. When the loan is removed at the pool's effective rate, there is no change in the accretable yield percentage of the rest of the pool.

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 modifications on an individual loan basis.

We believe that entities should be given the option to make a one-time election upon adoption. We believe entities should be allowed the flexibility to decide and explain why this is preferable.



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

We agree with a prospective application. Since the provisions of this Update do not require further analysis of loans accounted for within pools and do not require retrospective application to loans that have been removed from pools and accounted for as troubled debt restructurings, we believe that the transition method is operational. We also agree that these provisions could be applied in interim or annual periods beginning on or after June 15, 2010.

Sincerely,

Reva Steinberg, CPA

Chair, Accounting Principles Committee



ILLINOIS CPA SOCIETY.

APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2009-2010

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Robert A. Dombrowski, CPA	McGladrey & Pullen LLP
James J. Gerace, CPA	BDO Seidman LLP
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffery P. Watson, CPA	Blackman Kallick LLP

Medium: (more than 40 employees)

Barbara Dennison, CPA	Selden Fox, Ltd.
Marvin A. Gordon, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
Gary W. Mills, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Kathleen A. Musial, CPA	BIK & Co, LLP

Industry:

John M. Becerril, CPA	Cabot Microelectronics
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group
Anthony Peters, CPA	McDonald's Corporation

Educators:

James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
David L. Senteney, CPA	Ohio University
Leonard C. Soffer, CPA	University of Chicago

Visiting Members From the

Young Professionals Group:

Jared Bourgeois, CPA	FTI Consulting
Sarah L. Kuhn, CPA	Securities & Exchange Commission
Sobia Farid, CPA	

Staff Representative:

Paul E. Pierson, CPA	Illinois CPA Society
----------------------	----------------------