

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Biittner (x462)
Subject: Minutes of August 25, 2010 Board Meeting **Date:** August 26, 2010
cc: Golden, Bielstein, Stoklosa, C. Smith, Gonzales, Biittner, Posta, Chookaszian, McGarity, Klimek, FASB Intranet

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topics: Clarifying Guidance on the Identification of Troubled Debt Restructurings;
Transition Considerations

Basis for Discussion: FASB Memorandums No. 2 & 3

Length of Discussion: 9:00 a.m. to 10:00 a.m.

Attendance:

Board members present: Herz, Linsmeier, Seidman, Siegel and Smith

Board members absent: None

Staff in charge of topic: Gonzales

Other staff at Board table: Biittner, Golden, C. Smith, Stoklosa,

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update. The Board's technical plan calls for that document to be issued in the 3rd quarter of 2010.

Summary of Decisions Reached:

The Board discussed potential clarifications to the guidance in FASB Accounting Standards Codification™ Subtopic 310-40, Troubled Debt Restructurings by Creditors, and tentatively decided that:

1. Creditors should be explicitly precluded from using the borrower's effective rate test (in Topic 470, Debt) in its evaluation of whether a modification was executed at a market rate.
2. Guidance should be clarified to note that:
 - a. A situation in which a market rate is not readily available is a strong indication that the modification was executed at a rate that is below market.
 - b. A modification that results in a temporary or permanent increase to the contractual interest rate cannot be presumed to be at a rate that is at or above market.
3. Guidance should be clarified to note that a borrower that is not currently in default may still be considered to be experiencing financial difficulty.
4. A creditor should not conclude that a modification is not a troubled debt restructuring simply because a delay in payment resulting from that modification is insignificant.
5. There should be no change to the guidance in paragraph 310-40-50-2 that allows the removal of a loan previously identified as a troubled debt restructuring from associated disclosure requirements, if the criteria therein are met.
6. There should be no change to the treatment of purchased credit impaired loans (that is, purchased credit impaired loans, other than those accounted for within a pool under Subtopic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, should remain in the scope of troubled debt restructuring guidance).

The Board also discussed transition and tentatively decided that:

1. For disclosure purposes, the proposed clarifications will be effective for interim and annual periods ending after June 15, 2011, applied retrospectively to modifications occurring on or after the beginning of the earliest period presented.

2. For impairment purposes, the proposed clarifications will be effective on a prospective basis for interim and annual periods ending after June 15, 2011. An entity should disclose the total amount of loans and the associated reserves related to those loans that are considered impaired under Section 310-10-35, Subsequent Measurement, as a result of the clarifications in guidance for which impairment was previously accounted for under Subtopic 450-20, Loss Contingencies.

General Announcements: The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot. The Board tentatively decided that the proposed Update will have a 60-day comment period.