



VIA Electronic Mail (director@fasb.org)

October 14, 2010

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

File Reference: No. 1820-100

Dear Board Members and FASB Staff:

The Mortgage Bankers Association¹ (MBA) appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Revenue Recognition* (Proposed Update). The stated objectives of the Proposed Update are to clarify the principles for recognizing revenue and to develop a converged revenue standard for U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB).

The guidance in the Proposed Update would not apply to contractual rights or obligations within the scope of Topic 860 on transfers and servicing. MBA believes that it is appropriate to provide this scope exception. Topic 860 appropriately recognizes the inherent value that exists in a typical servicing right. When a lender originates a loan, the future cash flows inherent in the loan include cash flows to compensate the servicer for its obligation to provide that servicing. Therefore, pursuant to Topic 820, the full net present value of the servicing right is included in the valuation of the loan. When the loan is sold and servicing is retained, the fair value of the loan is realized in two parts (proceeds and the retention of servicing). Under current accounting rules, when a loan

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 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 2,200 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.

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is transferred the value of the servicing rights is bifurcated from the loan value and becomes a servicing right asset. If the loan is already carried at fair value (which includes the servicing value), there is no income statement impact. Without this scope exception, lenders might recognize a loss at the time of sale, which would not be appropriate for an asset purported to be carried at fair value.

MBA notes that the IFRS does not specifically address servicing assets to the extent U.S. GAAP does. Specifically, the IASB does not permit a servicing right to be marked to market at fair value upon de-recognition of the underlying loan. Likewise, the IASB does not permit a fair value option for the ongoing valuation of servicing rights. As FASB and the IASB continue to meet on accounting standards convergence, MBA recommends that the converged standards adopt the more robust guidance for servicing rights that exists presently in GAAP.

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,

A handwritten signature in cursive script that reads "John A. Courson".

John A. Courson
President and Chief Executive Officer