

From: [Ed Aycock](#)
To: [Director - FASB](#)
Subject: Clarifications to Accounting for Troubled Debt Restructurings by Creditors
Date: Thursday, December 09, 2010 10:19:19 AM



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December 9, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

File Reference: No. 1880-100 *Clarifications to Accounting for Troubled Debt Restructurings by Creditors*

Dear Technical Director:

On behalf of its member banks and saving institutions, the North Carolina Bankers Association appreciates the opportunity to comment with respect to the exposure draft entitled *Clarifications to Accounting for Troubled Debt Restructurings by Creditors* (Draft). Although we recognize the concerns regarding the identification and reporting of trouble debt restructuring (TDRs), we believe that the Draft's proposed changes will make the process of evaluating loan modifications unnecessarily difficult and complex. The Draft also misses the point on whether or not the related loans pose increased credit risks to banks. The proposed changes would require substantive changes to processes to identify TDRs. Such processes are based on express guidance issued by banks' regulatory agencies and auditors. To remove past guidance will add considerable complexity to the process of identifying TDRs. If banks do not provide sufficient documentation to support the evaluation of a loan modification, they likely would be required, by default, to report the modification as a TDR. Thus, the amounts reported will contain many cases of legitimate loan modifications where no significant concessions have been provided. Clearly, that procedure will not enhance financial reporting. In addition, banks may not have information available which is necessary to perform any kind of retrospective reporting of modifications.

The Draft emphasizes the current standard's market-based trigger in identifying a TDR. When conducting TDR analysis, the market trigger is highly problematic. Complexities related to specialized terms, collateral and personal guarantees applied to loans make

determining a “market” interest rate on many loans very difficult. However, even when a market rate is available, when the rate is not increased to the current “market”, it should not be necessary to report a TDR when additional collateral and/or guarantees are provided and the resulting loan terms do not expose the bank to additional credit risk.

Thank you for your consideration of the above comments.

Sincerely,

A handwritten signature in cursive script that reads "Edmund D. Aycock". The signature is written in dark ink and is positioned above the typed name and title.

Edmund D. Aycock
SVP and Regulatory Counsel