

COMMERCIAL FINANCE ASSOCIATION



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2013-270
Comment Letter No. 289

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September 13, 2013

Technical Director
Financial Accounting Standards Board
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Via email to: director@fasb.org, File Reference 2013-270

Re: Exposure Draft – Proposed Accounting Standards Update (Revised)
Leases (Topic 842), a revision of the 2010 Proposed FASB
Accounting Standards Update, Leases (Topic 840)

Dear Board Members:

The Cooperation with Accountants Committee (the “Committee”) of the Commercial Finance Association (“CFA”) reviewed the referenced proposal. CFA is the national trade group for the asset-based lending arms of domestic and foreign commercial banks, small and large independent finance companies, floor plan financing and factoring organizations and financing subsidiaries of major industrial corporations. CFA has been in existence for 69 years and has approximately 280 member companies.

Certain CFA members rely on GAAP financial statements of their clients and their clients’ customers to make credit decisions. Others rely mainly on collateral for their lending and may not require financial statements, but instead accept tax returns and internal statements.

In order to gauge the opinions of CFA members on the referenced proposal, a survey was sent to the membership recently. Members were provided with background information on the proposal, including FASB In Focus Report (May 16, 2013) and were referred directly to the Exposure Draft on FASB’s website. The survey focused on basic questions arising from the referenced proposal about the changes in accounting for leases which will come into effect if the proposals are adopted.

Please note:

- a) CFA members were asked to review the proposal as users of financial statements.
- b) The majority of the financing provided by CFA members is to private companies.
- c) The results of the survey provided below, are not the official views of the CFA but are the opinions of the members who responded to the survey.

Associate General Counsel

Richard Jay Goldstein, Buchalter Nemer ♦ David Crumbaugh, Latham & Watkins, LLP ♦ Donald L. Schwartz, Ungaretti & Harris LP

The responses, which came from 23 institutions, were as follows:

1. Type of institution responding:

- Bank/ bank affiliated asset-based lender	47.8%
- Independent asset-based lender	26.2%
- Independent factoring organization	21.7%
- Other type of lender	<u>4.3%</u>
	<u>100.0%</u>

2. All responders confirmed that they rely on clients' and prospects' financial statements, as well as their customers' financial statements, when making decisions to provide credit.

3. 82.6% require that the aforementioned financial statements comply with GAAP.

4. In principle, 34.8% agreed with the referenced proposal, while 65.2% did not.

5. When asked whether private companies (except for those where real estate is their core business) should be required to comply with the referenced proposal relating to real estate leases, 69.6% responded "No" and 30.4% responded "Yes".

6. All responders who answered "No" to the above question stated they are satisfied with the current footnote disclosures for real estate leases.

7. Recognizing that, if adopted, the proposed rules would affect the balance sheet ratios (such as Debt to Equity and Working Capital), 90.9% of responders indicated they would be prepared to renegotiate these ratio covenants; and 9.1% would not.

We hope that the foregoing comments will be helpful in your deliberations on this topic, and we have also encouraged our members to send their own detailed Comment Letters to you.

Please feel free to contact the undersigned regarding any questions you may have about CFA and/or this survey.

Sincerely,



Robert Trojan
Chief Executive Officer