



Crowe Horwath LLP
Independent Member Crowe Horwath International

One Mid America Plaza, Suite 700
Post Office Box 3697
Oak Brook, Illinois 60522-3697
Tel 630.574.7878
Fax 630.574.1608
www.crowehorwath.com

February 10, 2016

Ms. Susan Cospier Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via email to director@fasb.org

Re: File Reference No. 2015-340

Dear Ms. Cospier:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update (ASU), Government Assistance (Topic 832): *Disclosures by Business Entities about Government Assistance*. While we are supportive of the Board's efforts to be responsive to requests to increase transparency about the effects of government assistance arrangements, we agree with the Alternative View presented which expresses concerns with entities incurring significant costs to obtain the amount of assistance received but not recognized directly in financial statements, as well as the costs to establish procedures and controls to estimate those amounts.

We have several matters of concern in support of this view, as discussed below.

Scope

We are concerned, in some cases, it might be confusing to discern who is a party to the arrangement and who has to disclose the value received. For example, with a loan guarantee, both the borrower and the lender are parties to a government guaranteed loan contract. It is not clear whether both parties would be considered to have received value and need to complete the disclosures. Further, it is not clear whether entities need to disclose government assistance arrangements in effect, for investments in companies that are accounted for under the equity method of accounting, when the equity method investee has such an arrangement. If the Board chooses to proceed, we suggest the Board include further guidance and illustrative examples to assist stakeholders with determining who the party to the governmental assistance is in such situations.

In addition, we have concern with the use of several terms: 1) Legally Enforceable, 2) Value, 3) Nondiscretionary, and 4) Government, which are described further below.

Legally Enforceable

Paragraph 832-10-15-5 indicates that the term "legally enforceable" should be interpreted in the context of "established practices and processes in each jurisdiction." While intended to be accommodating to the differences between jurisdictions, it is unclear if the requirements to "enter into a legally enforceable agreement" would exclude items such as a waiver of a regulatory requirement from the scope. In other words, waivers which can provide significant value to the entity in terms of cost savings, speed to market, etc., might be deemed discretionary, but it is unclear if such arrangements would be excluded from the scope because they may not be interpreted to be "legally enforceable" if there is no formal written agreement.

Ms. Susan Cospers Technical Director
Financial Accounting Standards Board
February 10, 2016
Page 2

Value

The term “value” is discussed as including assistance or could include an amount of reduction in expense, but is not limited to those items. The proposal includes a variety of example programs that might be included in the scope, but is not limited to those programs. The existing master glossary definition of “value” refers to SEC guidance in the context of fair value for investment companies and does not appear to be relevant in the context of the proposal. For the example in the previous paragraph, it is not clear if a waiver of a regulatory requirement is considered an item of value. Alternatively, while the receipt of income tax benefits on investments in affordable housing would likely be discretionary and have value, it is unclear if other items that are also typically involved in the transaction such as the receipt of Community Reinvestment Act (CRA) credit would also be considered to have value and thus evaluated for disclosure. If the Board chooses to proceed, we suggest that “value” be defined.

Nondiscretionary

The term “nondiscretionary” is not defined in the proposal nor is it defined in the Master Glossary, therefore we expect stakeholders will struggle with its application. For many governmental assistance programs, it could be difficult to understand if the government has the ability to deny assistance to entities that meet eligibility requirements. Some programs such as Export-Import Bank’s export credit guarantee programs would appear¹ to include discretion, while other programs such as mortgage and student loan programs as well as renewable energy tax credits might be more difficult to determine if they are programs that include discretion or negotiated terms.

Government

Lastly, we find that the term “government” as provided in Paragraph 832-10-15-6 is very broad and might cause unintended arrangements to fall within the scope of the Proposal, causing significant efforts to comply with the proposed amendments. We expect there are likely hundreds of types of government assistance available from the Federal government, to state governments to local governments. To assist the Board in its re-deliberations, below is a listing of some typical government arrangements that might be within the scope, as currently drafted.

- Tax Credit Investments (i.e. low income, historic tax credit, new market tax credit)
- Income Tax Abatements
- Work Opportunity Tax Credit (WOTC) under the Veterans Affairs (VA) Special Employer Incentives (SEI)
- Federal Deposit Insurance Corporation (FDIC) deposit insurance and Loss Share Arrangements
- National Credit Union Administration (NCUA) share insurance
- Governmental Sponsored Entities (e.g., Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks (FHLB), Federal Farm Credit, Federal Agricultural Mortgage Corporation (Farmer Mac)
- Federal Housing Administration (FHA) / VA Loan Guarantees
- Small Business Administration (SBA) and Government National Mortgage Association (Ginnie Mae) Loan Guarantees
- Troubled Asset Relief Program (TARP) and Small Business Lending Fund (SBLF)
- Home Affordable Modification Program (HAMP) and Home Affordable Refinance Program (HARP)
- Community Reinvestment Act Credits
- Department of Energy Tax Credits and Loan Guarantees

¹ See section 2.01 (b) (i) of Ex-Im Bank Standard Form MGA-L (available online at <http://www.exim.gov/sites/default/files/forms/lt-mga-exec.pdf>)

Ms. Susan Cospers Technical Director
Financial Accounting Standards Board
February 10, 2016
Page 3

Difficulty in Obtaining Required Information

Because existing U.S. GAAP does not require any disclosures related to government assistance, many entities do not have systems in place to track much of the financial information that would be required to be disclosed. This is particularly applicable when it comes to governmental assistance received but not recognized in the financial statements. As such, much of this information is not subject to internal controls and could not be efficiently inventoried for disclosure or audited for accuracy and completeness without significant effort by both preparers and auditors. We anticipate systems will need to be developed to track such information for the requirements to be operable and auditable. Depending upon the volume, some entities might need significant lead time to comply with the proposed requirements.

If the Board decides to proceed with the proposed amendments we suggest the Board direct the FASB staff to develop additional illustrative examples, including detailed calculations showing the quantitative information subject to the proposed disclosure requirements. For instance, the proposal does not currently include an example of what would be disclosed for the benefits of a loan guarantee or below market interest rate assistance which is a very prevalent type of arrangement that would appear to be subject to the scope of the Proposal. It is not readily apparent what type of analysis would be completed in these instances. Many entities might have to perform a "with and without" type of analysis to determine the amount of assistance received for disclosure – which seems subjective and burdensome.

Further, it seems such a quantitative analysis for certain financial instruments acquired with guarantees which could result in a large number of items to evaluate. Consistent with our discussion earlier regarding what constitutes "value", we recommend an example is included of how to determine the value of a loan guarantee. Determining the quantitative value of a loan guarantee may prove to be especially challenging for smaller organizations and may require them to incur the cost to hire specialists. We also suggest a large portfolio of financial instruments acquired with government assistance guarantees might create an impractical situation to evaluate and not be relevant to the user given the disclosures anticipated under the Current Expected Credit Loss (CECL) model.

Transition

We recommend prospective application and exclusion of agreements existing at the effective date. Compiling the data would be time intensive for preparers and auditors and might have limited value to users in terms of expected changes in future cash flows related to existing agreements. It is likely the cost outweighs the incremental benefit versus a more practical prospective transition.

Private Company Relief

We believe users of private company financial statements often have increased access to management and in turn, more transparent insight into the current and future government assistance arrangements that impact financial results. Further, as noted earlier, private companies currently have been provided certain disclosure accommodations in areas such as the federal statutory income tax rate reconciliation to not have to quantify the significant differences. If Board chooses to proceed, we encourage the Board to consider what information is truly relevant to private company financial statement users.

Please contact Matthew Schell, Scott Lehman or Sydney Garmong should you have any questions.

Sincerely,



Crowe Horwath LLP