



February 12, 2010

Mr. Russell G. Golden, Technical Director  
Financial Accounting Standards Board  
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Re: File Reference No. EITF0901

Dear Mr. Golden:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update (ASU), *Receivables (Topic 310)—Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset*. Although we support the proposed ASU, we believe certain provisions should be modified as discussed below in our responses to the “Questions for Respondents” in the proposed ASU.

Question for Respondents

**Question 1 – Do you agree that entities should not evaluate whether modifications of loans accounted for within pools under Subtopic 310-30 meet the criteria to be accounted for as troubled debt restructurings? If not, why not?**

We agree that entities should not evaluate whether modifications of loans accounted for within pools under ASC 310-30 meet the criteria to be accounted for as troubled debt restructurings.

In addition, we believe that the proposed amendment to ASC 310-40-15-11 should apply to ASC 310, not just ASC 310-40, “Troubled Debt Restructuring by Creditors”. As a result, we recommend that the proposed amendment added as the last sentence in ASC 310-30-15-11, should also be made to ASC 310-10-35 to avoid confusion.

**Question 2 – The Board has a separate project on its agenda relating to improving disclosures on loan losses. Are there specific disclosures that the Board should consider that would be helpful for users about pools of loans accounted for under Subtopic 310-30 or loans modified within those pools?**

The separate project on improving disclosures on loan losses would require disclosures about modifications. We believe that such proposed requirement is based on concerns that once a loan is modified in a troubled debt restructuring, there is a higher probability that such loan will default in the future. ASC 310-30-50 already has specific disclosures for loans within the scope of ASC 310-30, which some may argue have a higher probability of default. As noted in

Paragraph B-63 (basis for conclusions) of AICPA Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*; one of the disclosure objectives for the disclosures in ASC 310-30-50 is to provide “information about the performance of the acquired loan portfolio, including whether management has obtained or currently expects to obtain more or less than the cash flows originally expected to be collected.”

In addition, we note a creditor may modify a loan to be consistent with its expectation of cash flows on acquisition and thus a disclosure requirement for all loans modified within pools would not necessarily provide useful information to financial statement users and would instead potentially confuse financial statement users.

Further, we note that if a loan accounted for under ASC 310-30 is impaired, the disclosures under ASC 310-10 relating to impaired loans would also be required. As noted in our comment letter on the loan loss project, we believe that there is diversity in practice as to when loans are reported as impaired that are not individually evaluated for impairment (under ASC 310), and we have observed that some entities include smaller-balance homogenous loans that are collectively being evaluated for impairment in their disclosure of impaired loans even though such loans are excluded from the scope of the impaired loan disclosures. For example, some entities have a policy that if a consumer loan is past due over XX days, it should be placed on nonaccrual. We have observed that some entities consider all nonaccrual loans to meet the definition of an impaired loan. Further, we note that investors would be better served by disclosure of all impaired loans and not just impaired loans that are individually evaluated for impairment.

As such, we believe that rather than developing separate disclosures, the Board should focus on providing guidance as to when a loan that is not individually evaluated for impairment (including loans accounted for as part of a single pooled asset) should be disclosed as impaired.

**Question 3 – Paragraph 310-30-40-1 requires a loan to be removed from a pool of loans at its carrying value if the investor sells, forecloses, or otherwise receives assets in satisfaction of the loan, or the loan is written off. The Task Force noted that there was diversity in practice regarding the determination of the carrying amount of a loan removed from a pool. While the amendments in this proposed Update do not directly affect and are not affected by this diversity in practice, do you believe that additional guidance is needed to clarify how the carrying value of a loan should be determined upon removal from a pool? If so, do you have suggestions on what those clarifications should be?**

Based on the proposed ASU, we are unsure of the nature of the diversity in practice. If the diversity in practice relates to removal methods that do not comply with the principle stated in the standard – that the removal should not cause the yield on the remaining pool to change – then we see no reason for the Board to take up the issue. However, if there is diversity in methods that achieve the standard’s principle, we see no reason for the Board to address the issue in that case either.

**Question 4 – Upon adoption of the amendments in this proposed Update, should entities receive the option to make a one-time election to change the unit of accounting from a pool basis to an individual loan basis? If not, why not? Entities that make this election would then be required to apply the troubled debt restructuring guidance to future modifications on an individual loan basis.**

While we doubt any entity would make such election, we do not support providing this option. We believe that this option would require guidance as to how such pool determined accretable / nonaccretable difference would need to be allocated to each individual loan. Further, this option would be inconsistent with the rationale in allowing entities to not apply troubled debt restructuring accounting to loans accounted for in pools.

**Question 5 – Do you agree with the proposed effective date and transition method?**

We believe that the effective date should be clarified for non-public companies. As drafted, we believe that a non-public company could choose to elect the guidance in either its 2010 year-end financial statements (if it elects to early adopt) or in its 2011 year-end financial statements if it does not early adopt. We do not believe that this flexibility was the task force's intention.

We therefore suggest the following transition guidance:

An entity shall apply the pending content that links to this paragraph prospectively for any modification of a loan (or loans) accounted for within a pool in the first reporting period, including interim periods, ending after July 1, 2010.

In addition, we believe that the transition guidance in ASC 310-30-65-1(c) should clarify that the disclosures are applicable in both the interim and the annual periods of adoption.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Mark Scoles, Partner, Accounting Principles Consulting Group, at 312.602.8780 or Dorsey Baskin, Partner, Regional Partner-in-Charge of Professional Standards, at 214.561.2328.

Sincerely,

/s/ Grant Thornton LLP