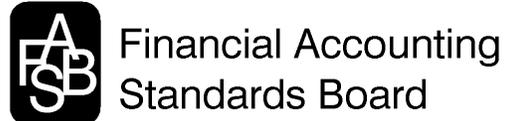


MINUTES



To: Board Members

From: Debbeler, x353

Subject: February 24, 2010 Board Meeting
Minutes: Disclosures about Credit Quality and the Allowance for Credit Losses

Date: March 11, 2010

cc: FASB: Bielstein, Golden, Lott, Stoklosa, Proestakes, Barker, Maroney, Wilkins, Debbeler, Chookaszian, Posta, Glotzer, C. Smith, Mechanick, Gabriele, Sutay, Klimek, McGarity, Intranet; IASB: Leisenring; GASB: Finden

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Redeliberations of issues raised during comment period

Basis for Discussion: FASB Memos 8 and 9

Length of Discussion: 11:15 a.m. to 1 p.m.

Attendance:

Board members present: Herz, Linsmeier, Seidman, Siegel, and Smith

Board members absent: none

Staff in charge of topic: Barker and Maroney

Other staff at Board table: Golden, Stokosa, and Debbeler

Outside participants: none

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing disclosures about credit quality and the allowance for credit losses.

The Board's technical plan calls for that document to be issued in the second quarter of 2010.

Summary of Decisions Reached:

1. The Board redeliberated the following issues related to the Exposure Draft, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*:
 - a. Definitions of portfolio segment and class of financing receivable
 - b. Rollforward of the allowance for credit losses
 - c. Rollforward of the carrying amount of financing receivables
 - d. Disclosures about the credit quality of financing receivables
 - e. Disclosures about modifications of financing receivables
 - f. Fair value disclosures
 - g. Scope
 - h. Purchased credit impaired loans
 - i. Loss contingency disclosure clarification
 - j. Interim and annual reporting periods
 - k. Effective date and transition.

Definitions of *Portfolio Segment* and *Class of Financing Receivable*

2. The Board decided to modify the definition of *portfolio segment* by removing the requirement to disaggregate portfolio segments based on impairment methodology. However, the Board decided to separately require an entity to disaggregate the ending balance of the allowance for credit losses based on impairment methodology. (See the decision on the rollforward of the allowance for credit losses.) (Vote: unanimous)
3. The Board decided to retain the definition of *class of financing receivable* as proposed, emphasizing that judgment will be required to apply that definition. (Vote: unanimous)

Rollforward of the Allowance for Credit Losses

4. The Board affirmed its proposal that an entity should provide in the notes to the financial statements a rollforward of the allowance for credit losses by portfolio segment. (Vote: unanimous)
5. The Board decided that in addition to that rollforward, an entity would also be required to disclose, for each portfolio segment, the balance of the allowance for credit losses as of the reporting period date disaggregated based on impairment methodology and the related carrying amount of financing receivables. To disaggregate the required information based on impairment methodology, an entity should separately disclose amounts determined under *FASB Accounting Standards Codification*TM Subtopic 450-20, Loss Contingencies (generally includes items collectively evaluated for impairment), from amounts determined under Section 310-10-35, Receivables—Overall—Subsequent Measurement (generally includes items individually evaluated for impairment). (Vote: unanimous)
6. The Board decided not to require additional disclosure about partial chargeoffs of financing receivables by portfolio segment. (Vote: unanimous)

Rollforward of the Carrying Amount of Financing Receivables

7. The Board decided not to require disclosure of a rollforward of the carrying amount of financing receivables. Instead, the Board decided that a creditor would be required to disclose, by portfolio segment, the amount of any significant purchases of financing receivables during a reporting period separately from the amount of any significant sales of financing receivables during a reporting period. (Vote: unanimous)

Disclosures about the Credit Quality of Financing Receivables

8. The Board decided that an entity's objective in providing credit quality disclosures is to provide information that enables a reader to understand how and to what extent management monitors the credit quality of its financing receivables on an ongoing manner. (Vote: unanimous)
9. The Board affirmed the proposed disclosure requirement in paragraph 13(b) of the Exposure Draft to provide quantitative and qualitative information about the credit quality of financing receivables. The Board decided, however, that to achieve the disclosure objective, an entity would be required to provide those quantitative and qualitative disclosures for all financing receivables, including financing receivables that are past due or impaired. (Vote: unanimous)

10. The Board decided to remove the proposed requirement to link internal risk ratings to external regulatory risk ratings. Rather, the Board decided to require a creditor who discloses internal risk ratings to also provide qualitative information on how those internal risk ratings relate to the likelihood of loss. (Vote: unanimous)
11. The Board also decided to expand the disclosures proposed in paragraphs 13(d) and 13(e) of the Exposure Draft so that they apply to all financing receivables, with one exception. Financing receivables deemed to be impaired under Section 310-10-35 (originally issued as FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan) would be excluded from the disclosures proposed in paragraphs 13(d) and 13(e). (Vote: unanimous)
12. The Board decided to remove the proposed disclosure requirement in paragraph 13(g) of the Exposure Draft, which would require an entity to reconcile certain amounts disclosed in the proposed Statement. (Vote: unanimous)

Disclosures about Modifications of Financing Receivables

13. The Board agreed that the objective for disclosures about modifications of financing receivables is to provide information enabling the reader to understand the nature and extent of those modifications. The Board decided to reconsider specific disclosures about modifications of financing receivables at a future meeting. (Vote: unanimous)

Fair Value Disclosures

14. The Board decided to remove the proposed requirement to disclose the fair value of loan receivables by portfolio segment from this project. The Board intends to consider additional fair value disclosures in its project on accounting for financial instruments. (Vote 3–2)

Scope

15. The Board decided to modify the proposed scope of this project by excluding the following:
 - a. Financing receivables measured at fair value or the lower of cost or fair value (Vote: unanimous)
 - b. Promises to give, regardless of term. (Vote: 3–2)

16. The Board affirmed its proposal to exclude the following from the scope of this project:
 - a. Accounts receivable with contractual maturities of one year or less that arose from the sale of goods or services, except for credit card receivables (Vote: unanimous)
 - b. Unfunded lending commitments. (Vote: unanimous)
17. The Board affirmed its proposal to include lessor's direct finance and sales-type lease receivables in the scope of the project. (Vote: unanimous.) The Board decided to discuss whether leveraged leases should be included in the scope of this project at a future meeting.
18. The Board affirmed its proposal that the disclosure requirements would continue to apply to all entities. (Vote: unanimous)

Purchased Credit Impaired Loans

19. The Board decided not to add specific disclosures for purchased credit impaired loans to this project. (Vote: unanimous)

Loss Contingency Disclosure Clarification

20. The Board decided to specify that paragraphs 450-20-50-3 through 50-5 (originally issued as paragraph 10 of FASB Statement No. 5, Accounting for Contingencies) do not apply to recurring loss contingencies arising from a creditor's normal estimation of its allowance for loan losses. (Vote: unanimous)

Interim and Annual Reporting Periods

21. The Board affirmed its proposal that the final Update should be effective for both interim and annual reporting periods. (Vote: unanimous)

Effective Date and Transition

22. The Board decided that a public entity would be required to provide these disclosures beginning with interim and annual reporting periods ending after December 15, 2010. (Vote: unanimous) The Board decided to revisit the effective date for nonpublic entities at a future meeting.

Examples

23. The staff has updated the examples in the Exposure Draft to reflect decisions reached during today's meeting. These **examples** are available on the FASB's website .

24. Please note that these examples do not represent official positions of the Board, are not meant to be prescriptive, and do not represent required formats. They are provided solely for convenience of the FASB's constituents who are following this project.

General Announcements:

The Board has asked the staff for more information on three issues: disclosures about modifications of financing receivables, the inclusion of leveraged leases in the scope of the final Update, and the effective date for a nonpublic entity.