



December 14, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By email to: director@fasb.org

Re: File Reference No. 1880-100

Director:

First Horizon National Corporation appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Receivables (Topic 310) – Clarifications to Accounting for Troubled Debt Restructurings by Creditors* (the “Proposed ASU”). We support the FASB’s objective of developing guidance which provides clarification on the identification and reporting of troubled debt restructurings (“TDRs”). However, in our view implementation of the proposed clarifications would potentially increase the number of TDRs identified by entities even though the relevance of a TDR designation may become less significant as a result of the FASB’s Proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (the “Proposed AFI ASU”) and the enhanced credit quality disclosures required by the FASB’s newly issued Accounting Standards Update 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20). Additionally, we believe the proposed clarification related to a market rate trigger would result in many restructurings being identified as TDRs due to the difficulty in determining a market interest rate, even though a concession may not have occurred. Particularly given the proposed changes included in the Proposed ASU, we believe guidance should be included addressing if, and if so, when a restructured loan identified as a TDR can be considered cured. We also believe that the clarification related to restructurings where an insignificant delay in cash flows occurs is inconsistent with certain regulatory guidance and will require incremental work but have limited usefulness. Further, we believe that the provisions of the Proposed ASU that affect financial statement disclosures for TDRs should be prospectively applied, as the benefits of retrospective application would not outweigh the additional costs of compliance and would cause inconsistencies with historical disclosures provided to regulatory agencies.

Relevance of TDR Designation

The Proposed ASU would expand the number of loans identified as TDRs based on a market rate trigger as discussed below in the Difficulty of Determining a Market Interest Rate section. However, we believe that due to the impairment recognition provisions included in the Proposed AFI ASU, which provide that impairment should be recognized without regard to a probability threshold, TDRs as currently defined would be largely irrelevant if such changes are put into effect as drafted. Additionally, even under current guidance, loans identified as

1755 Lynnfield, Bldg. D
Memphis, TN 38119
(901) 257-6245

TDRs with the exception of homogenous pools of consumer loans have generally already been individually assessed for impairment under the guidance of FASB Accounting Standards Codification Topic 310-10-35 prior to their restructuring, with many being reported as nonaccrual loans. Further, we believe that financial statement users are concerned primarily with disclosures surrounding the adequacy of an entity's allowance for credit losses, which are already being enhanced with the additional credit related disclosures required by the newly issued ASU 2010-20. Based on the judgmental nature of most TDR determinations, we believe that disclosures related to such subjective assessments do not provide meaningful information to financial statement users about the adequacy of an entity's allowance for credit losses. Thus, we believe that disclosure of total loan modification activity should be provided by credit quality indicator, without separately distinguishing TDRs for disclosure purposes, as that information would be more relevant to financial statement users.

Difficulty of Determining a Market Interest Rate

The Proposed ASU provides that if a debtor does not otherwise have access to funds at a market rate of interest for debt with similar risk characteristics as the restructured debt, it is an indication that the restructuring was executed at a below market rate of interest resulting in the occurrence of a troubled debt restructuring. The Proposed ASU further indicates that such a determination could be made even if the restructuring results in a temporary or permanent increase in the contractual interest rate, as the new rate may still be below the market rate for new debt with similar terms. However, given the differences in loans related to the nature of the collateral (e.g., type or geographic differences), forms of guarantees, and other specialized terms, determining a market interest rate for the majority of restructured loans is difficult, if not impossible. This is supported by the lack of availability of quotes for new loans which are related to borrowers with less than prime credit ratings, and the lack of available credit at times for both new and modified loans of certain types in the current economic environment. Additionally, commercial loans comprised of middle market, small business guarantor dependent loans (e.g., non-public company and private banking loans) have distinct idiosyncratic risks which make it extremely difficult to determine a singular view of risk and therefore the "market rate return expected" (i.e., depending upon certain variables, including structure, purpose, and repayment options, the risk horizon/issues differ). Unlike for rated companies, an assessment of risk/return for middle market, small business guarantor dependent loans is solely focused on a bank's internal assessment and such internally developed scorecards may better articulate risk than generally used parameters such as FICO scores or Small Business Financial Exchange scores. As these considerations indicate the likelihood of most restructurings resulting in a TDR designation, particularly for middle market, small business guarantor dependent loans as discussed above and for other commercial loan modifications during recessionary economic cycles, we believe that the market rate trigger would result in additional work for lenders without providing beneficial information to financial statement users (based on the fact that banks generally do not manage lending relationships on a fair value basis). Further, given the requirement in existing regulatory guidance that modified loans identified as TDRs continue to be reported as TDRs for the remaining life of the loan unless the loan yields a market rate at the time of restructuring, loans identified as TDRs based on the market rate trigger will have to continue to be reported as TDRs until paid off, refinanced, or charged off, regardless of whether the loan has been cured. Therefore, we believe that the market interest rate trigger should be removed from the Proposed ASU.

Lack of Guidance Regarding When TDRs Have Been Cured

Current regulatory guidance provides that a restructured loan that is identified as a TDR must continue to be reported as a TDR for the life of the loan unless the loan is in compliance with its modified terms and yields a market rate at the time of restructuring, as discussed above in the Difficulty of Determining a Market Interest Rate section. Particularly if the proposed guidance related to a market rate trigger is finalized as drafted, we believe that guidance should be provided addressing if, and if so, when a TDR may be considered cured under GAAP to prevent restructured loans from continuing to be reported as TDRs once concessions are no longer occurring or may never have occurred (if identified as a TDR based solely on the market rate trigger).

Restructurings with Insignificant Delays in Cash Flows

The Proposed ASU would clarify that even when an insignificant delay in cash flows occurs, a restructuring may still result in a TDR determination. Based on the inconsistency of the proposed change with current regulatory guidance related to mortgage modifications of three months or less and similar industry practice for short-term modifications of other loan types (generally also with durations of three months or less), significantly more loans would be required to be reported as TDRs than under previous practice. We believe that the costs of evaluating whether loans with insignificant delays in cash flows are TDRs far outweighs the benefits, particularly since loans modified for trial periods will either successfully qualify for a permanent modification, generally resulting in a full TDR evaluation at such time, or be subsequently assessed for impairment if the modification is unsuccessful. Further, if the proposed guidance related to restructurings with insignificant delays in contractual cash flows is finalized as drafted, we believe that more guidance is needed related to what constitutes an “insignificant delay”.

Effective Date and Transition

The Proposed ASU would require retrospective application for provisions that affect financial statement disclosures for TDRs. Given the significant amount of historical data that would need to be analyzed related to restructuring activities affecting all periods presented in the financial statements, and the lack of financial reporting systems’ ability to perform a retroactive assessment in some instances, we believe that the benefits of retrospective application do not outweigh the additional costs to comply with the proposed guidance. Additionally, retrospective application would cause inconsistencies with historical TDR classification and reporting in CALL Reports to regulatory agencies which may cause confusion to investors when analyzing trends. Therefore, we believe that similar to the prospective application requirement included in the Proposed ASU for purposes of measuring the impairment of a receivable restructured in a troubled debt restructuring, prospective application should also apply for TDR identification and disclosure purposes.

If you have any questions regarding the comments presented in this letter, please contact me at (901) 257-6245.

Sincerely,

/s/ Shawn P. Luke

Shawn P. Luke
Senior Accounting Manager

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Chief Accounting Officer's Division
First Horizon National Corporation