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Long Island Citi, NY 11101

September 17, 2013

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

Re: File Reference No. EITF – 13E, *Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring*

Dear Ms. Cosper:

Citigroup appreciates the opportunity to provide feedback on the Financial Accounting Standards Board's (FASB) Exposure Draft of the proposed Accounting Standards Update (proposed ASU), *Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring* (TDR).

Citi supports the clarification that FASB provides in the proposed ASU as to when a creditor is considered to have received "physical possession" of residential real estate property collateralizing a consumer mortgage loan. However, Citi questions the usefulness of the additional recurring disclosures required by the proposed ASU, as further discussed below.

Clarification of "Physical Possession"

Under generally accepted accounting principles, in a troubled debt restructuring whereby a creditor obtains one or more assets in satisfaction of all or part of a loan, the loan (or portion thereof) is derecognized and the asset(s) recognized when there is "in substance a repossession or foreclosure by the creditor, that is, the creditor receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place." However, accounting literature has not defined "in substance a repossession or foreclosure" or "physical possession."

FASB has noted diversity in practice as to the application of these terms and, to address this diversity, the proposed ASU clarifies that an "in substance repossession or foreclosure" occurs, and "physical possession" of the residential real estate property collateralizing a consumer mortgage loan is received, when (1) the creditor obtains legal title to the property, or (2) a deed in lieu of foreclosure or similar legal agreement under which the debtor conveys its interest in the property to the creditor, even if legal title has not yet passed.

We support the clarification provided in the proposed ASU. Prior to the point where title has passed or a deed in lieu of foreclosure or similar legal agreement is completed, as noted in the Basis for Conclusions in the proposed ASU, a creditor may take certain actions with respect to the property (e.g., maintenance of the property's physical condition) in order to protect its interest as a lender, but is not acting as an owner. These protective actions should not be deemed to indicate ownership of the

property so as to require derecognition of the loan. On the other hand, we agree that once title has passed or a deed in lieu of foreclosure or similar legal agreement has been completed, the interest in the property has been conveyed, “physical possession” should be deemed to have occurred, and the loan should be reclassified to an appropriate real estate account.

Scope

Citi agrees with the current scope of the proposed ASU and does not believe that the scope should be extended to commercial real estate mortgage loans. Foreclosure practices for residential real estate differ from those for commercial real estate and we have not noted practical issues in determining when an “in substance repossession or foreclosure” has occurred, or when “physical possession” has been received, in cases involving commercial real estate collateral. Therefore, we support the scope as currently proposed, that is, to include only residential real estate property collateralizing a consumer mortgage loan.

Disclosures

The proposed ASU would require the following additional disclosures in interim and annual financial statements: (1) a roll-forward schedule reconciling the change from the beginning to the ending balance of foreclosed residential real estate property (OREO), and (2) the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure. The roll-forward is required to separately present: (1) additions due to foreclosures; (2) reductions for sales or transfers; (3) adjustments made to record OREO at the lower of carrying amount or fair value less costs to sell; and (4) other adjustments, with explanations of significant amounts.

Currently, ASC 310-10-45-3 requires that foreclosed and repossessed assets be classified as a separate balance sheet amount, or be included in other assets on the balance sheet with separate footnote disclosure in the financial statement footnotes. For banks that are SEC registrants, nonperforming assets are a meaningful metric that banks disclose in their annual and quarterly public filings by major component, including OREO, as part of Management’s Discussion and Analysis of Financial Condition and Results of Operation (MD&A). In addition, periodic U.S. regulatory reports require banks and bank holding companies to disclose the amount of OREO both in total and by specific categories. Further, depending upon significance, certain changes in OREO balances during a period, such as transfers of loans to OREO, would be disclosed in the bank’s Statement of Cash Flows. Of course, to the extent that a particular bank considers any of this information to be meaningful to the user of its financial statements, that information may be provided in either its financial statements or in MD&A.

Prior to this proposed ASU, neither generally accepted accounting principles nor US bank and bank holding company regulatory guidance has considered the presentation of changes in OREO by specific component to be meaningful, other than those changes that would be presented in the Statement of Cash Flows. We have noted that FASB has frequently been requiring account balance roll-forwards in their proposed and final accounting standards.

While we would support the disclosure of an OREO roll-forward in the financial statements to the extent it is deemed material to users of the financial statements, we do not believe that entities should be required to present this roll-forward if not deemed material. Further, we believe that the roll-forward components should not be prescribed. Rather, where such a roll-forward is considered meaningful for disclosure, the reporting entity should disclose the components of the roll-forward that it deems

significant. Specifically, the valuation adjustments (category 3 noted above) may not be significant and a separate presentation of that amount may therefore not be meaningful.

In addition, periodic regulatory reports require banks and bank holding companies to disclose the unpaid principal amount of loans in process of foreclosure. We believe that the proposed ASU's requirement to disclose the recorded investment in loans in process of foreclosure is more relevant than the unpaid principal balance amount, given that the recorded investment is the amount that is recorded on the balance sheet, and reflects any previously recorded charge-offs. Similar to our position regarding the proposed OREO roll-forward, we support the disclosure of the recorded investment in loans in process of foreclosure in the financial statements, to the extent it is material to a financial statement user.

We would be pleased to discuss any of our comments at your convenience. Please feel free to call me at (347) 648-7721.

Sincerely,



Robert Traficanti

Deputy Controller and

Global Head of Accounting Policy