MINUTES

To:	Board Members
From:	Passalugo (x462)
Subject:	Minutes of the December 11, 2013 Board Meeting: Ratification of EITF Consensuses and Consensus-For-Exposure
Date:	January 14, 2014
cc:	Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' 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.

<u>Topics</u>: Ratification of EITF consensuses and a consensus-for-exposure, and consideration of a potential new agenda item

<u>Basis for Discussion</u>: EITF Ratification Memorandum No. 1 (issued on November 22, 2013)

<u>Length of Discussion</u>: 9:35 a.m. to 10:15 a.m. EDT

<u>Attendance</u>:

Board members present:	Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith
Board members absent:	None
Staff in charge of topics:	Brown, Cosper, Hillenmeyer, Or, and May
Other staff at Board table:	Kim and Passalugo
Outside participants:	None

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss whether to issue final Accounting Standards Updates resulting from EITF Issues No. 12-G, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity", No. Issue 12-H, "Accounting for Service Concession Arrangements", No. 13-B, "Accounting for Investments in Qualified Affordable Housing Projects", and No. 13-E, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure," and an exposure draft resulting from EITF Issue No. Issue 13-F, "Classification of Certain Government Insured Residential Mortgage

Loans upon Foreclosure by a Creditor." The Board also considered whether a new issue should be added to the EITF's agenda to address the application of EITF Issue No. 13-B to other types of tax credit investments.

The Board's technical plan calls for the issuance of all of the final Updates and the proposed Update in the first quarter of 2014.

Summary of Decisions Reached:

FASB Ratification of EITF Consensuses and Tentative Conclusions

The Board ratified the consensuses reached at the November 14, 2013 EITF meeting on the following Issues and approved issuance of resultant Accounting Standards Updates.

Issue 12-G, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity"

A collateralized financing entity is defined as a variable interest entity that holds financial assets, issues beneficial interests in those financial assets, and has no more than nominal equity. The beneficial interests have recourse to the related financial assets of the collateralized financing entity and are classified as financial liabilities.

A reporting entity electing to apply the amendments in the Update resulting from this Issue should measure both the financial assets and the financial liabilities of the collateralized financing entity using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. A reporting entity's consolidated statement of income (loss) should reflect the reporting entity's own economic interests. Changes in the fair value of the beneficial interests retained by the reporting entity should be recognized in the consolidated statement of income of the reporting entity. Other beneficial interests retained by the reporting entity that represent compensation for services (for example, management fees) and nonfinancial assets that are held temporarily by a collateralized financing entity should be accounted for in accordance with other applicable U.S. GAAP.

A reporting entity that consolidates a collateralized financing entity and measures the financial assets or the financial liabilities of the collateralized financing entity using this guidance should disclose all of the information required by Topic 820 on fair value measurement, Topic 825 on financial instruments, and other relevant Topics, as applicable, for the fair value of the financial assets or the financial liabilities, whichever is more observable, and for any beneficial interests retained by the reporting entity (other than those that represent compensation for services).

Reporting entities may apply the amendments using a modified retrospective approach. In addition, reporting entities may apply the amendments retrospectively to all relevant prior periods beginning with the fiscal year in which the amendments in Accounting Standards Update 2009-17 on consolidation were initially adopted.

The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments are effective for the annual period beginning after December 15, 2015, and interim and annual periods thereafter. Early adoption is permitted.

Issue 12-H, "Accounting for Service Concession Arrangements"

The amendments in the Update resulting from this Issue apply to an operating entity of a service concession arrangement entered into with a public-sector entity grantor when the arrangement contains both of the following conditions:

1. The grantor controls or has the ability to modify or approve the services that the operating entity must provide with the infrastructure, to whom it must provide them, and at what price.
2. The grantor controls, through ownership, beneficial entitlement, or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement.

Service concession arrangements within the scope of this Issue should not be accounted for as leases under Topic 840, and the infrastructure that is the subject of a service concession arrangement within the scope of this Issue should not be recognized as property, plant, and equipment of the operating entity.

The amendments should be applied on a modified retrospective basis to service concession arrangements that exist at the beginning of an entity's fiscal year of adoption.

The amendments are effective for public business entities for annual periods (and interim reporting periods within those annual periods) beginning after December 15, 2014. For all entities other than public business entities, the amendments are effective for the annual reporting period beginning after December 15, 2014, and interim and annual reporting periods thereafter. Early adoption is permitted.

Issue 13-B, "Accounting for Investments in Qualified Affordable Housing Projects"

A reporting entity can elect to account for an investment in a qualified affordable housing project using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance amortization in the income statement as a component of income taxes.

A reporting entity should disclose information that enables users of its financial statements to understand the nature of its investments in qualified affordable housing projects, and the effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of operations.

An entity should apply the amendments in the Update resulting from this Issue on a retrospective basis. However, a reporting entity that uses the effective yield method to account for its investments in qualified affordable housing projects before the date of adoption would be permitted to continue to apply the effective yield method for those preexisting investments.

The amendments are effective for public business entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. For all entities other than public business entities, the amendments are effective for the annual period beginning after December 15, 2014, and interim and annual reporting periods thereafter. Early adoption is permitted.

Issue 13-E, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure"

An in substance repossession or foreclosure occurs, that is, a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure sale or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement.

The amendments in the Update resulting from this Issue require disclosure of (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction.

Entities can elect to apply the amendments on either a modified retrospective basis or a prospective basis.

The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments are effective for the annual period beginning after December 15, 2014, and interim and annual periods thereafter. Early adoption is permitted.

FASB Ratification of an EITF Consensus-for-Exposure

The Board also ratified the consensus-for-exposure reached at the November 14, 2013 EITF meeting on the following Issue and decided that the comment deadline for the resultant proposed Update will be April 30, 2014.

Issue 13-F, “Classification of Certain Government Insured Residential Mortgage Loans upon Foreclosure”

The amendments in the proposed Update resulting from this Issue would apply to residential mortgage loans for which (1) there is a government guarantee that is not separable from the loan entitling the creditor to recover the full unpaid principal balance of the loan and (2) at the time of foreclosure the creditor has the intent and ability to recover under the guarantee.

A creditor would reclassify a government guaranteed residential mortgage loan for which the creditor has the intent and ability to recover the full unpaid principal balance of the loan to a separate receivable at the time of foreclosure.

No incremental disclosure requirements would be required.

The proposed amendments would be applied using the same transition method elected by a reporting entity for application of the amendments in the Update resulting from EITF Issue No. 13-E, “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.” Early adoption would be permitted.

Potential New Agenda Item: Application of EITF Issue 13-B to Other Types of Tax Credit Investments

The Board directed the staff to perform pre-agenda decision research on the applicability of EITF Issue No. 13-B, "Accounting for Investments in Qualified Affordable Housing Projects," to other types of tax credit investments, not just investments in qualified affordable housing projects. The results of that research will be presented to the Board at a later date. On the basis of those results, the Board will decide whether to address this Issue and, if so, whether to add it to the FASB’s or the EITF’s agenda.

General Announcements: None