PNC

April 29, 2014

Mr. Russell Golden
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. EITF-13F, Proposed Accounting Standards Update, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), *Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure – a consensus of the FASB Emerging Issues Task Force*

Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. ("PNC" or "we") appreciates the opportunity to comment on the Proposed Accounting Standards Update, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40), *Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure – a consensus of the FASB Emerging Issues Task Force* (the "Proposed ASU"), which solicits feedback on the Financial Accounting Standards Board's ("FASB's", "the Board's") proposal to classify certain government-guaranteed residential mortgage loans as 'other receivables' rather than as 'other real estate owned' assets.

We believe that the Board's proposal will reduce diversity in practice in the classification of certain government-guaranteed residential mortgage loans upon foreclosure. We generally agree with the two characteristics in the Proposed ASU:

a. The loan has a government guarantee that is not separable from the loan before foreclosure entitling the creditor to the full unpaid principal balance of the loan.
b. At the time of foreclosure, the creditor has the intent to make a claim on the guarantee and the ability to recover the full unpaid principal balance of the loan through the guarantee.

However, we provide the following suggestions regarding the required characteristics, additional disclosures and transition for the Board's consideration.

Scope of the Proposed ASU

PNC supports the Board's decision that upon foreclosure of a residential mortgage loan that has a government guarantee, the residential mortgage loan should be derecognized and a separate other receivable should be recognized. As the proposal is currently drafted, we believe the scope of the proposal would be limited to only Federal Housing Administration ("FHA") guaranteed loans since other government guarantees may not provide coverage of the full unpaid principal balance. We recommend that the criteria be broadened to allow application to other guarantee programs for which the guarantee is not separable from the loan.

We believe that other guarantee programs administered by the U.S. Department of Housing and Urban Development ("HUD") such as the Veterans Administration ("VA") and Multifamily[1] Projects ("HUD Multifamily") should also be subject to the classification guidance in the Proposed ASU. These guarantee programs are similar to the FHA guaranteed loans in that the government guarantee is not separable from the loan before foreclosure, and at the time of foreclosure, the creditor has the intent to make a claim on the guarantee. The primary difference is the amount recovered as the guarantee program may have a maximum guarantee amount or may cover substantially all of the unpaid principal balance (e.g., 99%) rather than the full unpaid principal balance as currently drafted. However, the economic substance and intent and ability to recover under the guarantee program exists.

Additionally, similar to FHA guaranteed loans, the creditor takes title to the underlying property, and the properties are conveyed to HUD after the claim is submitted. Thus, the creditor is acting in a manner similar to an agent for the guarantor (i.e., HUD) for these foreclosed assets that have a government guarantee. We believe these foreclosed assets should also be classified as other receivables because it results in consistent treatment for transactions that we believe are economically similar.

Disclosures

We do not believe that providing recurring disclosure of the fair value less cost to sell the foreclosed real estate is decision-useful information. For these foreclosed assets, the economic benefit is received or substantially received through the guarantee rather than the fair value of the property. Thus, the fair value of the property is not relevant for these foreclosed assets; and therefore, we believe the cost of adding this disclosure exceeds its benefit.

Transition

We agree with the proposed transition methods, and early adoption should be permitted.

[1] Loans to finance Multifamily projects are classified as commercial real estate loans rather than residential real estate loans.

* * * * *

We appreciate the opportunity to share our views with the Boards. We welcome any questions or comments you may have on this letter. Please contact me (412.762.1622) with any questions about PNC's comments.

Sincerely,

Lauren Belot

Ms. Lauren Belot
Director of Accounting Policy
The PNC Financial Services Group, Inc.

cc: John (JJ) Matthews
Director of Finance Governance & Oversight and Accounting Policy
The PNC Financial Services Group, Inc.

Gregory H. Kozich
Senior Vice President and Corporate Controller
The PNC Financial Services Group, Inc.

Mr. Robert Q. Reilly
Executive Vice President and Chief Financial Officer
The PNC Financial Services Group, Inc.