



**Richard D. Levy**  
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May 7, 2014

Via email

Russell G. Golden, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

**Re: File Reference No. EITF-13-F: 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 Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over \$1.5 trillion in assets providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, and consumer finance services. We appreciate the opportunity to comment on the FASB's 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* ("Proposed ASU").

We have the following comments on the Proposed ASU:

- **Scope of the Proposed ASU:** The Proposed ASU indicates that the government guarantee must entitle the creditor to the full unpaid principal balance of the loan<sup>1</sup>. This restriction limits the coverage of the Proposed ASU to government guaranteed loans under the Federal Housing Administration ("FHA") program. Another significant and commonly used government guarantee program is sponsored by the U.S. Department of Veteran Affairs ("VA"). The VA does not guarantee full repayment of the loan in all cases given a maximum guarantee amount in their program. The Proposed ASU does not appear to apply to situations where the full unpaid loan balance is not expected to be collected from the government program. We believe diversity between these similar government guarantee programs is not desirable and the Board should clearly explain their rationale for the scope of the Proposed ASU. In our view, while the programs may result in

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<sup>1</sup> Proposed ASU paragraph 310-40-40-7A a.

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different amounts of repayment related to the government guarantee, investors and other financial statement users would benefit from consistent application of this guidance to all government guaranteed loans, regardless of the coverage level. For any shortfalls arising from the difference between the full unpaid principal balance and the government guarantee, financial institutions regularly establish a valuation allowance for these amounts.

- Classification of other real estate owned: While we believe there is limited benefit to financial statement users for the classification of certain government-guaranteed residential mortgage loans upon foreclosure as other receivables versus foreclosed assets, we support the Board's decision to clarify the classification and measurement of certain government-guaranteed loans. Since 2006<sup>2</sup>, the banking regulatory agencies have required the presentation of foreclosures on real estate supporting delinquent government guarantee/ insured loans in their regulatory reports as other real estate owned, not as other assets. As a result of the regulatory guidance, many financial institutions have classified other real estate owned as a result of foreclosure on government guaranteed/ insured loans as foreclosed assets within their reports filed with the Securities and Exchange Commission ("SEC"). Historically, we have provided a separate, incremental disclosure of our foreclosed assets within our other assets, including segregation of those arising from government insured/ guaranteed loans and those that were not government insured/ guaranteed. While the proposed ASU would create a difference with the current regulatory guidance, we agree that the nature of the asset for foreclosed government guaranteed loans is more similar to a claim receivable than other real estate owned given the source of the repayment.
- Statement of Cash Flows Presentation: Historically, cash flows associated with activities for foreclosed assets, including those from foreclosure of government guaranteed loans, have been presented in cash flows associated with investing activities in our financial statements. The Board should evaluate the impact of the proposed classification change on the Statement of Cash Flows, as cash flows associated with other receivables would typically be included in cash flows from operating activities.

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We appreciate the opportunity to comment on the Proposed ASU and are willing to work with the FASB as you proceed with further deliberations on the topic. If you have any questions, please contact me at 415-222-3119 or Mario Mastrantoni at 704-383-9678.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy  
Executive Vice President & Controller

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<sup>2</sup> See **Federal Register** / Vol. 70, No. 128 / Wednesday, July 6, 2005

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CC: Kathy Murphy - Office of the Comptroller of the Currency  
Robert Storch - Federal Deposit Insurance Corporation  
Steven Merriett - Federal Reserve Board  
Donna Fisher - American Bankers Association  
David Wagner - The Clearing House Association