

November 14, 2016

Technical Director
File Reference No. 2016-340
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Dear Technical Director:

FinSer Corporation provides investment accounting reports to banks and credit unions across the United States. We appreciate the opportunity to comment on the Financial Accounting Standards Board's Exposure Draft of a Proposed Accounting Standards Update regarding "Receivables—Nonrefundable Fees and Other Costs, Subtopic 310-20."

Our comments are in response to **Question 1** of the questions for respondents: **"Do you agree that premiums on purchased callable debt securities should be amortized to the earliest call date? Please explain why or why not."**

Typically, callable bonds trade in the market based on a "yield to worst" concept that assumes the call date producing the lowest yield for the bondholder. This is quite logical as it is assumed the holder of the call will always act in his own best interest and call the bond at the point it costs him the least. Thus, we believe that premiums on callable securities should be amortized to the potential call date producing the lowest yield in order to align the amortization period with market "yield to worst" expectations. While the earliest call date often produces the worst yield on debt securities purchased at a premium, there are a number of meaningful exceptions. Two examples come to mind: Municipal bonds with premium call features (i.e. callable at 102% rather than par) and some step-up bonds. Depending on the rate increases and the purchase price, the worst yield on a step-up bond may be the first step-up date rather than the first call date.

While amortizing to the earliest call date is definitely simpler, amortizing to the *worst yield* date would better align accounting yields with purchase yields.

Again, we appreciate the opportunity to comment on this issue and would be glad to answer any questions on our comments or provide more detailed examples of the exceptions mentioned.

Sincerely,



Debbie McCown
Senior Vice President
FinSer Corporation