



May 30, 2018

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

Re: Agenda Request – One-Time Option to Elect the Fair Value Option Upon Adoption of ASU 2016-13

Ladies and Gentlemen:

Hound Partners (the “Firm”, “we”, “our”, or “us”) is submitting this letter to request that the Financial Accounting Standards Board (FASB) consider amending the transition guidance in ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, (known as the current expected credit loss model or CECL) to allow for a one-time option to elect the fair value option (FVO) in ASC 825, *Financial Instruments*, for financial instruments previously recognized and measured at amortized cost in the period of adoption of CECL.

Our Firm has a significant investment interest in the financial services industry, specifically a ~\$350M investment in Credit Acceptance Corp. We believe certain businesses within this industry either have concluded or will conclude that CECL will result in financial statements that are inconsistent with the economics of their businesses. As a result, we expect these businesses to begin electing the FVO for new loan originations to minimize the financial statement distortion that would be caused by the application of CECL. As an investor, we need to understand the economics of the business and are supportive of the accounting method that best reflects the economics of the business, which in certain cases will be the FVO. We are, however, concerned that electing the FVO for only new loan originations will result in a lack of comparability of financial results for several years as the balance sheets of these businesses transition from amortized cost to the FVO over time. Accordingly, in order to provide investors with comparable financial information upon the adoption of CECL, we believe the FASB should amend the transition guidance in CECL to allow for a one-time option to elect the FVO for financial instruments previously recognized and measured at amortized cost in the period of adoption of CECL.

Thank you for your consideration of this matter. We would be happy to discuss this matter with you.

Sincerely,

Jonathan Auerbach
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