

September 16, 2013

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Accounting Standards Update –  
*Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification  
of Collateralized Mortgage Loans upon a Troubled Debt Restructuring* (a consensus of the  
FASB Emerging Issues Task Force)**

**File Reference No. EITF-13E**

Dear Ms. Cospers:

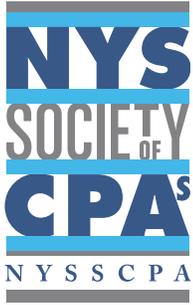
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

J. Michael Kirkland  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE –  
*RECEIVABLES—TROUBLED DEBT RESTRUCTURINGS BY CREDITORS (SUBTOPIC  
310-40): RECLASSIFICATION OF COLLATERALIZED MORTGAGE LOANS UPON A  
TROUBLED DEBT RESTRUCTURING (A CONSENSUS OF THE FASB EMERGING  
ISSUES TASK FORCE)***

**FILE REFERENCE NO. EITF-13E**

**September 16, 2013**

**Principal Drafters**

**Sharon Sabba Fierstein  
John J. McEnerney**

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New York State Society of Certified Public Accountants

Comments on  
Proposed Accounting Standards Update –  
*Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring* (a consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF-13E

We are pleased to respond to the Financial Accounting Standards Board’s (the Board’s) Proposed Accounting Standards Update - *Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring*, a consensus of the FASB Emerging Issues Task Force (the “Update”). Our responses to the Questions for Respondents are presented below.

**Question 1: Should the scope of the proposed amendments about the timing of reclassification of receivables to foreclosed residential real estate properties be extended to commercial real estate mortgage loans? If yes, please explain why, including a discussion on any special considerations related to reclassifying commercial real estate mortgage loans.**

**Response:** If the goal of the Board is to provide high level principles based standards, it follows logically that the proposed guidance should be extended to commercial real estate mortgage loans. To not do so would introduce transaction/industry specific guidance that the Board has been working to eliminate.

While residential consumer real estate mortgage loans typically experience extended foreclosure timelines, it is inappropriate to assume that the same process for commercial real estate mortgage loans is short lived. While structured financing arrangements may be beyond the scope of this proposed Update, the concepts underlying the reclassification of receivables to foreclosed properties are essentially the same whether considered for single-family or commercial real estate mortgage loans.

See also our response to Question 3.

**Question 2: Should the scope of the proposed amendments about the timing of reclassification of receivables to foreclosed assets also be extended to loans collateralized by nonfinancial assets other than real estate (for example, auto loans)? If yes, please explain why, including a discussion on any special considerations related to reclassifying loans that are collateralized by nonfinancial assets other than real estate.**

**Response:** Similar to our response to Question 1, the guidance outlined for single family mortgage loans in the proposed Update could easily be extended to loans collateralized by

nonfinancial assets. While the foreclosure process is generally shorter for nonfinancial asset loans than it is for single family mortgage loans, the concepts related to the reclassification of the receivables are similar enough to warrant extension to these types of loans. Except for the additional criteria we discuss in our response to Question 3, we do not believe that there are other special considerations that should be addressed for nonfinancial asset loans.

**Question 3: Do you agree that a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon (a) the creditor obtaining legal title to the residential real estate property or (b) completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan, even though legal title may not yet have passed? If not, please explain why.**

**Response:** While we do agree that the two criteria for physical possession outlined in the proposed Update are critical for this guidance, we believe that they are not all encompassing in practical terms. For example, in the situation where a borrower has abandoned the property and the lender takes physical possession without fulfilling either of the conditions expressed in the proposed Update, the lender would not be deemed to have physical possession as defined. While excluding such a situation should reduce the diversity in practice, it would also make the accounting less reflective of economic reality. Consequently, we recommend that physical possession due to abandonment be included, and that relevant definitions be added as needed to clarify this condition. As proposed, the two conditions listed could well create even more diversity based on different legal requirements and the corresponding timing of local jurisdictions. If physical possession due to abandonment is not added, we would not extend the scope as discussed in our Responses to Questions 1 and 2.

**Question 4: Do you agree that the recurring disclosures of (a) the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure according to local requirements of the applicable jurisdiction and (b) a roll-forward schedule reconciling the change from the beginning to the ending balance of foreclosed residential real estate properties provide decision-useful information and should be required to be provided in interim and annual financial statements? If not, please explain why and what disclosures, if any, you would propose.**

**Response:** We are not supportive of adding roll-forward schedules to required disclosures due to the additional burden on financial statement preparers and questionable usefulness.

**Question 5: If the scope of the proposed amendments is extended to commercial real estate mortgage loans and/or loans collateralized by nonfinancial assets other than real estate (for example, auto loans), should different disclosures be required for these loans? Please describe how and why you think the disclosures should be different.**

**Response:** If the scope of the proposed Update is expanded to include commercial real estate mortgage loans or loans collateralized by nonfinancial assets, we do not believe that any additional disclosures would be needed beyond those required as noted in our Response to Question 4.

**Question 6: Do you agree that the proposed amendments should be applied to both collateralized residential mortgage loans and foreclosed residential real estate properties existing at the date of adoption by means of a cumulative-effect adjustment as of the beginning of the annual reporting period for which the guidance is effective? If not, please explain why.**

**Response:** We believe that the suggested implementation guidance in the proposed Update is unduly complicated for financial statement preparers and that the benefit from implementing the guidance sooner will not outweigh the difficulty in determining the cumulative-effect adjustment. We recommend that the proposed guidance be adopted prospectively at the beginning of the entity's fiscal year.

**Question 8: Do you agree that the proposed amendments should apply to both public entities and nonpublic entities? If not, please describe how and why you think they should be different.**

**Response:** We agree that the proposed amendment should apply equally to public and nonpublic entities.

**Question 9: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.**

**Response:** See our response to Question 6. While we agree that early adoption should be permitted, it should only be permitted at the beginning of an entity's fiscal year.

**Question 10: How much time would be needed to implement the proposed amendments, and should the effective date differ for nonpublic entities versus public entities? Please explain why.**

**Response:** We believe that if this guidance is issued by November 1, 2013, it could be effective as early as fiscal years starting after December 15, 2013. This may need to be extended if the proposed implementation guidance is adopted (see our response to Question 6). Additionally, nonpublic entities should have a delayed implementation date of an additional year since they may need time to develop procedures to capture the information needed for the new disclosures.