February 26, 2014

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

By e-mail: director@fasb.org

Re: 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

File Reference No. EITF-13F

Dear Ms. Cosper:

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,

N Y S S C P A

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): CLASSIFICATION OF CERTAIN GOVERNMENT-GUARANTEED RESIDENTIAL MORTGAGE LOANS UPON FORECLOSURE*, A CONSENSUS OF THE FASB EMERGING ISSUES TASK FORCE

File Reference No. EITF-13F

February 26, 2014

<u>Principal Drafters</u>

Sharon Sabba Fierstein
Jo Ann Golden
John J. McEnerney

NYSSCPA 2013 – 2014 Board of Directors

J. Michael Kirkland, *President*
Scott M. Adair, *President-elect*
F. Michael Zovistoski, *Secretary/Treasurer*
Ian J. Benjamin, *Vice President*
Adrian P. Fitzsimons, *Vice President*
Barbara A. Marino, *Vice President*
Warren Ruppel, *Vice President*
Joanne S. Barry, *ex officio*
Anthony T. Abboud
William Aiken
Gregory J. Altman
Barbara E. Bel
Shari E. Berk
Christopher G. Cahill
Anthony S. Chan
John F. Craven
Harold L. Deiters
Timothy Hedley
Douglas L. Hoffman
Scott D. Hosler
Scott Hotalen
Gail M. Kinsella
Eric M. Kramer
Elliot A. Lesser
Kevin Matz
Michael E. Milisits
Barbara L. Montour
Steven M. Morse
Michael F. Rosenblatt
Arthur J. Roth
Cynthia A. Scarinci
John S. Shillingsford
Stephen T. Surace
Tracy D. Tarsio
Yen D. Tran
Mark Ulrich
Richard T. Van Osten
Beth van Bladel
Mark Weg

NYSSCPA 2013 – 2014 Accounting & Auditing Oversight Committee

William M. Stocker III, *Chair*
Joseph Caplan
Neil Ehrenkrantz
Sharon S. Fierstein
Kenneth Gralak
Julian E. Jacoby
Renee Mikalopas-Cassidy
Rita M. Piazza
Karina Pinch
Robert Rollmann

NYSSCPA 2013 – 2014 Financial Accounting Standards Committee

Robert M. Rollmann, *Chair*
Agwu Agwu
Kenneth Bosin
Christina Catalina
J. Roger Donohue
Deepak Doshi
Robert A. Dyson
Roseanne T. Farley
Sharon Sabba Fierstein
John Georger
Jo Ann Golden
Fred R. Goldstein
Craig T. Goodman
Kenneth Gralak
Abraham E. Haspel
Edward P. Ichart
Grace Kaczorowski
Tamar Kadosh
Craig L. Kanzel
Michael D. Kasperski
Ari Lasker
Joseph Maffia
Joseph Magri
Sean Martell
John J. McEnerney
Joseph Montero
Stephan R. Mueller
Mark Mycio
Lingyun Ou
Renee Rampulla
Ahmed Shaik
Daniel Shea
Mark Springer
Elvira Tsvetanov
Matthew Uryniak
Margaret A. Wood
Silvia S. Yehezkel
Sherrard Zamore

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on

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

File Reference No. EITF-13F

We welcome the opportunity to comment on the Financial Accounting Standards Board's (the Board'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 (the Update).

General Comments

We are pleased that the Board has taken steps to reduce diversity in practice related to classification by creditors of government-guaranteed residential mortgage loans entitling a creditor to the full unpaid principal balance of the loan, including those with a Federal Housing Administration (FHA) guarantee, upon foreclosure. We believe that the proposed guidance will improve financial reporting and reduce costs for all companies when foreclosure has occurred.

Our responses to the Questions for Respondents are presented below.

Question 1: Do you agree with limiting the scope of the guidance in the proposed Update to government-guaranteed residential mortgage loans for which the government guarantee is not separable from the loan and the creditor has the intent and ability to recover the full unpaid principal balance of the loan upon foreclosure? If not, please explain why and discuss the types of guaranteed mortgage loans that also should be addressed.

Response: We believe that the proposed Update should be broadened to include *all* government-guaranteed mortgage loans and not just *residential* government-guaranteed mortgage loans. FHA has several guarantee programs that apply to single family mortgages (one to four units), as well as multifamily mortgages (five or greater units, but including projects such as hospitals, nursing homes, assisted living facilities, and board/care facilities). We believe that the proposed guidance should apply equally to all mortgages that have an FHA guarantee because the conceptual nature of the guarantee is the same regardless of the underlying collateral. We believe that the use of residential government-guaranteed mortgage loans appears to limit the topic to single family mortgages which is inappropriate. By making this seemingly minor change, the topic will be more representative of FHA mortgages in the marketplace.
In order to enhance uniformity in practice, we further recommend the elimination of the "intent" attribute. The difficulties in establishing that intent exists, effectively makes the accounting optional. This is likely to increase diversity in practice.

Question 2: Do you agree that a guaranteed residential mortgage loan within the scope of this proposed Update should be reclassified from loans to other receivables upon foreclosure (foreclosure as determined by paragraph 310-40-40-6)? If not, please explain why.

Response: We agree that guaranteed residential mortgage loans within the scope of this proposed Update should be reclassified from loans to other receivables upon foreclosure. However, as noted in our response to Question 1, it is our belief that the Update should apply to all government-guaranteed mortgage loans and not just residential government-guaranteed loans.

Question 3: The proposed amendments require a single unit of account to be recognized as other receivables upon foreclosure of loans within the scope of the proposed Update. The Task Force decided not to require disclosure of the amount expected to be recovered under the guarantee and the fair value less cost to sell of the real estate for such foreclosed loans. Would it be decision-useful for an entity to provide recurring disclosure of both the amount expected to be received under the government guarantee and the fair value less cost to sell of the foreclosed residential real estate? If yes, please explain why.

Response: No, we do not believe it would be decision-useful for an entity to provide recurring disclosure of both the amount expected to be received under the government guarantee and the fair value less costs to sell the foreclosed residential real estate. Once a creditor initiates the process to recover funds under the government guarantee, the costs associated with the disposition of the foreclosed real estate are irrelevant.

Question 4: Do you agree that the proposed amendments should be applied using the same method of transition applied for Update 2014-04, that is, either under the modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual reporting period in which the guidance is effective) or under the prospective transition method? If not, please explain why.

Response: Yes, we agree that the proposed amendments should be applied using the same method of transition applied for Update 2014-04 because the loans contemplated in this proposed Update are a subset of the loans included in the scope of Update 2014-04.

Question 5: Do you agree that the proposed amendments should apply to both public entities and nonpublic entities? If not, please explain why.

Response: Yes, we agree that the proposed amendments should apply to both public entities and nonpublic entities.

Question 6: Do you agree that an entity should be permitted to early adopt the proposed amendments?

Response: Yes, we believe that an entity should be permitted to early adopt the proposed amendments, but only if that entity has also early adopted the guidance contained in Update 2014-04.

Question 7: The Private Company Decision-Making Framework states that, generally, amendments should be effective one year after the first annual period for which public companies are required to adopt them and for interim periods thereafter. Should nonpublic entities have one additional year for implementation? Please explain why or why not.

Response: No. Due to the relative ease in implementing the guidance in this proposed Update, we believe that the additional year for implementation for nonpublic entities could be waived. We do not believe that entities will incur significant costs when implementing this guidance. In fact, we believe this guidance will actually simplify the classification process for foreclosed loans with a government guarantee.