



Current Accounting Initiatives and Topics

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FAS 133

Other Issues

- Hedge of debt with “chooser” interest rates
 - Is it appropriate to hedge the benchmark interest rate risk?
- Consideration of payment term differences in cash flow hedges
 - Are payment term differences a source of hedge ineffectiveness under the methods identified in DIG G7?



FAS 133

Other Issues

- Cash flow hedging of variable-rate “managed” demand deposits (i.e., money market deposits and sweep accounts)
 - Is it appropriate to apply benchmark interest rate hedging pursuant to DIG G19?
- Transition provisions of DIG G26



Loan Commitments

- **SAB 109 recently amended SAB 105**
- **SAB 109 discusses two questions:**
 - **The value attributable to servicing should be included in the value of a written loan commitment that is recorded at fair value through earnings under GAAP**
 - **The value attributable to internally-developed intangible assets should not be included in the value of a written loan commitment recorded at fair value through earnings**
- **FAS 157 amended EITF 02-3 guidance on day one gains and losses**



FAS 115 Investments

Other-than-temporary Impairment (SAB Topic 5M)

- Impairment assessment required when security is in an unrealized loss position
- SAB Topic 5M does not have the same tainting concept like FAS 115's sales from HTM
- Management must have "ability" to hold to recovery to avoid recording an other-than-temporary impairment – outsourced arrangements
- Management's assertion of "intent" to hold to recovery must be consistent with business plans
- EITF 03-1 disclosures still apply



FAS 115 Investments

Initial Adoption of FAS 159

- Registrant may elect fair value option for existing AFS and HTM securities
- Adoption of FAS 159 does not impact requirement to:
 - Assess AFS securities for other-than-temporary impairment in preceding period
 - Reassess HTM classification in preceding period
- Registrant should disclose in accordance with paragraph 27(c) of FAS 159 the reasons for including AFS and HTM securities in the transition adjustment
- If registrant's intent to hold changes prior to issuance of prior financial statements, this should be considered in the assertions made in those prior financial statements



Loans Receivable Classification

Initial Classification under SOP 01-6

- **Investor must have the ability and intent to hold for the foreseeable future or until maturity to initially classify loans as held-for-investment**
 - **Definition of “foreseeable future” should be consistent with internal budgeting practices**
 - **“Foreseeable future” does not mean “imminent” or “the next day”**
 - **Specific loans do not have to be identified for sale in order to initially classify loans as held-for-sale**
- **Investors with patterns of sales of a significant amount for a specific type of loan should generally not classify all such loans as held-for-investment at origination or initial acquisition**

Reclassifications under SOP 01-6



Issues Related to Current Credit Environment

Allowance for loan losses

- Current credit trends may require adjustments to historical loss rates

FAS 140 restructuring of loans

Valuation issues

Disclosures

- SOP 94-6 and FSP SOP 94-6-1 discuss relevant disclosures for uncertainties, credit concentrations, and significant estimates
- Item 303 of Regulation S-K Item 303, Management's Discussion & Analysis and Item 305, Market Risk