



August 24, 2009

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

File Reference: No. 1700-100 – Disclosures about the Credit Quality of Financing
Receivables and the Allowance for Credit Losses

We appreciate the opportunity to comment on this exposure draft. Regions Financial Corporation (“Regions” or “the Company”), with approximately \$143 billion in assets, is one of the nation’s largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance product services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates 1,900 banking offices and approximately 2,300 ATMs. We provide brokerage services and investment banking through approximately 320 offices of Morgan Keegan & Company, Inc. Regions also provides full-line insurance brokerage services primarily through Regions Insurance, Inc., one of the 25 largest insurance brokers in the country.

General Comments

Regions supports the Board’s efforts to improve the quality and consistency of disclosures related to the allowance for credit losses. However, we disagree with specific aspects of the exposure draft as follows:

- We believe that disclosure of the fair value of loans by portfolio segment as well as certain aspects of the suggested credit quality disclosures (detailed in the paragraphs below) will be confusing and perhaps misleading to financial statement users. These provisions should not be included in the final standard.
- We believe that the costs to implement procedures and controls related to the suggested tabular roll-forward of financing receivables as well as certain other suggested disclosures (detailed in the paragraphs below) outweigh any incremental benefits to financial statement users. These provisions should not be included in the final standard.

- For certain provisions in the exposure draft, we agree that the disclosures are useful and meaningful, but request that the Board allow more time for transition. As discussed in detail in the ensuing paragraphs, we believe that a transition timeline providing an additional year to the timing suggested in the exposure draft is reasonable.
- We believe that the costs of compiling these disclosures on an interim basis exceed any benefit to financial statements users. The final standard should require the disclosures only for annual reporting periods.
- We are concerned that the definitions of “portfolio segment” and “class of financing receivables” are unclear and will be inconsistently applied. Suggested changes are included in paragraphs below.

The following paragraphs provide specific details and rationale supporting these comments.

Definition of “Portfolio Segment” and “Class of Financing Receivables” (paragraph 5 and paragraph 6)

Regions is concerned that the definitions of “portfolio segment” and “class of financing receivables” included in the exposure draft are confusing and may not be consistently applied. For example, the illustrations in Appendix A of the exposure draft generally break down the data into the following components: commercial, commercial real estate, consumer, residential, and finance leases. However, some tables include sub-components such as commercial real estate construction, consumer credit card, and residential-prime. It is unclear to Regions which level represents a portfolio segment, class of financing receivable, or disaggregated class. It is also unclear why certain disclosures in the illustration are broken out in a greater level of detail.

Further, as drafted the definition of “portfolio segment” indicates the level at which a creditor develops and documents a systematic methodology to determine its allowance for credit losses. For Regions, this is a very complex and detailed calculation; accordingly, we believe this definition may lead to a disclosure that is so granular that it is not meaningful. We fear that the suggested model will also lead to unnecessary debates among preparers and auditors as to which components represent portfolio segments, classes, etc. and suggest that a simpler approach be adopted.

We urge the Board to abandon the portfolio segment / class of financing receivables model. We believe that a more appropriate method would be to develop a methodology similar to the business segment approach outlined by FAS 131. Management would make the disclosures that parallel the methodology used to measure risk and develop the accounting for credit losses. Like the FAS 131 model, components should be aggregated if sufficiently homogeneous, as long as aggregation does not make the disclosures less meaningful. If this approach is adopted, it will not be necessary to create the new definitions.

Tabular Roll-forward of Allowance by Portfolio Segment (paragraph 11(c))

Regions agrees* that the tabular roll-forward of the allowance for credit losses by portfolio segment provides some level of benefit. For the MD&A section of our Form 10-K and Form 10-Q, we have historically presented a year-to-date roll-forward of the total allowance. However, if the exposure draft were adopted, Regions would be required to implement additional procedures, processes, system reconfigurations, and controls in order to capture the data in the required level of detail. For example, we note that the exposure draft suggests that the roll-forward be separated by “individually evaluated” and “collectively evaluated” impaired loans. Regions currently does not have established processes to track the allowance roll-forward in this manner and we question the level of benefit this process would provide to financial statement users. This is further complicated by the fact that loans periodically move in and out of the “individually evaluated” status as they move to nonaccrual or as payments occur which reduces the principal balance below our quantitative threshold for individual evaluation allowed by FAS 114†. If required to meet the expanded disclosure requirements, Regions would need to implement procedures for the required data to be captured in an accurate manner. Accordingly, we urge the Board to reconsider the level of benefit of the expanded disclosure requirements or, at minimum, allow additional time in order for any transition to be effective.

Tabular Roll-forward of Financing Receivable Activity by Portfolio Segment (paragraph 11(d) and paragraph 12)

Regions objects to the requirement in the exposure draft to roll-forward balances of financing receivables by portfolio segment, as we believe that the costs in compiling the data exceed any incremental benefit. Our existing loan systems do not have the capacity to capture the data for this suggested disclosure; therefore, major upgrades and expansion of existing processes would be necessary. To accommodate these upgrades and expansions, additional controls would need to be added; such controls would be subject to validation under Section 404 of the Sarbanes-Oxley Act.

We urge the Board to consider the difficulty and expense of upgrading loan systems, particularly given the historically slow response of software vendors to develop systems solutions to accommodate new accounting pronouncements. For example, SOP 03-3 established a new accounting model for loans acquired in a transfer requiring that the cost basis of certain acquired loans be adjusted for declines in creditworthiness, as opposed to accounting for the credit component through the allowance for loan losses (“Day 2” declines in borrower creditworthiness continue to be accounted for through the allowance). The standard was issued in December of 2003 and was effective for loans

* Contingent upon satisfactory resolution of the definition of “portfolio segment” and “class of financing receivables.”

† Therefore, there would need to be an additional line for “transfers” in the example provided in Paragraph A1.

acquired in transfers beginning in 2005 for a calendar-year company. For the first several years after the standard became effective, loan systems which had the capability of adequately tracking the revised cost basis of the loan as well as the legal balance were not widely available. Regions and many peer institutions made manual adjustments to sub-ledger systems in order to produce reporting that complies with SOP 03-3. Only recently, with the new requirement under FAS 141(R) to apply the fair value methodology to all loans acquired in a purchase business combination, have software vendors developed systems solutions – over five years after the issuance of SOP 03-3. Even now, for one major loan system provider, solutions are only available to bank users who are willing to outsource data processing to the providing vendor. In contrast to the SOP 03-3 example, the suggested timeframe for transition under the exposure draft is approximately four months after the deadline for comment. We respectfully suggest that the proposed transition timing would be impossible to meet.

In addition to increased costs of developing systems, processes, and controls related to this suggested disclosure, we believe that the information provides only a marginal benefit to the reader of the financial statements. The focus of the exposure draft is allowing a reader to better understand the risk profile of the Company and the impact on the accounting for credit losses. We do not believe that a tabular roll-forward of loan balances in the suggested level of detail will provide significant benefit in understanding the allowance for credit losses. As an alternative, we request that the Board instead consider requiring a tabular roll-forward of nonperforming assets. Many institutions, including Regions, are currently providing this analysis on a voluntary basis, as it is considered useful by the analyst community.

Disclosure of Fair Value of Loans by Portfolio Segment (paragraph 12)

Regions strongly objects to the requirement to detail fair value of loans by portfolio segment. In recent months, there has been significant debate regarding the use of fair value in financial statements. Regions understands the usefulness of detailed fair value data for financial institutions whose business practices call for regular trading of financial instruments. However, as a “main street bank,” Regions’ business model is primarily to hold loans to maturity. With the exception of certain mortgage and student loans which are underwritten with the intent to sell, Regions enters into lending arrangements as part of an overall customer relationship. Our intention is to serve the customer base with other services, including deposit, brokerage, and insurance services.

Current loan fair value disclosures require the consideration of steep liquidity discounts in addition to credit and interest rate adjustments. Dissemination of such information at the portfolio segment level implies that Regions manages its business on a “liquidation basis.” This is in direct contrast to the reality of Regions’ strategy, which is a “going concern basis,” and it is in direct contrast to current GAAP accounting for loans that are classified as portfolio loans. Users of the financial statements will attempt to create connections between loan portfolios accounted for at historical cost and adjusted for an

allowance for loan losses versus the fair value of the same portfolio. This is an “apples-to-oranges” comparison which lacks relevance and reliability and will only serve to further confuse financial statement users and contribute to misinformation in the marketplace.

Further, because there is no ready market for loans (unlike securities or other financial instruments), the estimation of the fair value of portfolio loans is unrelated to credit issues, but highly subjective and is dependent upon judgmental assumptions. More specifically, many bank’s public disclosures referencing the fair value of loans appear to presume that there is an “efficient market” where all relevant information is known to market participants. In reality, there is no active efficient market for non-residential loans. Additionally, a large component of the risk premium considered in a loan portfolio’s fair value measurement is due to the uncertainty of cash flows, driven by the lack of publicly available, loan-specific data for loans originated with the intent to hold until maturity. In complying with FAS 157 (including FSP FAS 157-4), Regions has incorporated this lack of available information in its estimate of the implied required rate of return (for a hypothetical market participant) used in the determination of fair value in the current market. We believe the wide range of relative fair values for loan portfolios disclosed as of June 30 is evidence that there is gross inconsistency in how this guidance has been interpreted. We would encourage the Board to focus on improvements to existing standards promoting greater comparability under current disclosure requirements before widening the scope of disclosures that will promote further inconsistency.

In addition to our concerns regarding the appropriateness of the fair value disclosures, please consider that Regions has no existing processes to make fair value estimates at the portfolio segment level. For purposes of developing the FAS 107 disclosures, we generally source the calculation at the loan system level. Since loan systems may capture more than one portfolio segment, new processes would be required in order to estimate fair value at a more granular portfolio segment level. Such processes would be time consuming and costly. Given the time and expense associated with this proposed disclosure, and considering the potential negative impacts associated with the information as discussed above, we urge the FASB to eliminate this provision in the exposure draft.

Credit Quality Indicators (paragraph 13(b) and paragraph 13(c))

In general, Regions agrees* that expansion of footnote disclosure to include more details regarding credit quality is appropriate. For the MD&A section of our Form 10-K and Form 10-Q, we have historically presented information regarding credit quality to enable users of the financial statements to understand the current period provision for loan losses and end of period allowance for credit losses. We agree that making similar information available in the footnotes is appropriate and enhances the usefulness of the financial

* Contingent upon satisfactory resolution of the definition of “portfolio segment” and “class of financing receivables.”

statements. However, we disagree with the format and level of detail suggested in the exposure draft.

The exposure draft suggests that the specifics of risk ratings by portfolio segment should be disclosed. We believe that the Board is attempting to make more details available which will allow users to understand credit quality and provide comparisons between institutions. However, please understand that the definitions of risk ratings will vary widely between institutions. At a minimum, there are definitional inconsistencies for risk ratings between the various federal banking agencies. We are concerned that disclosures at this level of detail will lead financial statement users to attempt to draw comparisons where the information is not necessarily comparable. We strongly suggest that the federal banking agencies' input on this exposure draft be obtained as we suspect the regulators will have reservations regarding the level of granularity in the suggested disclosure.

As an alternative to disclosure by risk ratings, the exposure draft allows disclosure to be made on the basis of consumer risk scores. However, within any portfolio segment, there are numerous multidimensional factors such as score models utilized (including FICO score and custom score), collateral position, loan-to-value ratio, and delinquency that are significant for underwriting decisions. For example, a low FICO score may qualify for a loan but only when accompanied by a very high custom score. To describe how underwriting decisions are made is proprietary, and to describe concisely the impact on the allowance calculation would be difficult. We believe it will be impossible to present such complex information in the footnotes to the financial statements in a meaningful manner that will be consistent across all institutions and beneficial to the user. As a solution, we suggest that the Board change the credit quality disclosure requirements to be much less specific. We urge the FASB to allow institutions to exercise judgment in making these disclosures. We believe that a large majority of institutions currently do and will continue to make good faith efforts to disclose credit quality and its impact on the allowance for credit losses in a manner that is informative and makes sense for the individual institutions.

Age Analysis of Past Due Financing Receivables (paragraph 13(d) through paragraph 13(g))

Regions agrees* that the presentation of past due information by portfolio segment is useful and meaningful to financial statement users. For the MD&A section of our Form 10-K and Form 10-Q, we have historically presented past due information in total. This disclosure can be compiled without major upgrades to systems, processes, or controls. However, Regions objects to the presentation of "allowance for collectively impaired loans" in the same table as suggested in paragraph 13(g). Such presentation implies that

* Contingent upon satisfactory resolution of the definition of "portfolio segment" and "class of financing receivables."

past due information is a primary driver in the development of the non-specific allowance for loan losses. For Regions, past due information is only one indicator used in the non-specific calculation. There are many other factors, including historical losses, geography, loss realization periods, internal risk ratings, and exposure to stressed industries. We believe that the presentation of this component of the allowance in the same table as the past due information will confuse financial statement users and contribute to misinformation in the marketplace. We suggest that the most reasonable solution is to allow institutions to exercise judgment in compiling this disclosure. The final standard should be worded in a manner that requires disclosure of past due information and provides leeway for individual institutions to describe how this metric impacts the allowance for credit losses.

Impaired Financing Receivables (paragraph 14(c) through paragraph 14(e))

In general, Regions supports* the expanded disclosure regarding impaired financing receivables as suggested in the exposure draft. However, we urge the Board to consider that for most institutions (including Regions), recordkeeping for the allowance for impaired loans evaluated at an individual level is a manual process. In order to develop disclosures in the level of detail suggested in the exposure draft, additional procedures and controls will be required. We do not believe that the transition suggested in the exposure draft allows for sufficient time to implement such procedures. We therefore encourage the Board to allow institutions more time in transition for the final standard.

Financing Receivables on Nonaccrual Status (paragraph 16(b))

Regions agrees that this disclosure would provide useful and meaningful information to a financial statement user. For the MD&A section of our Form 10-K and Form 10-Q, we have historically presented similar information. This disclosure can be compiled without major upgrades to systems, processes, or controls.

Qualitative Disclosures

In general, Regions agrees* that the qualitative disclosures suggested in the exposure draft are meaningful and useful. These disclosures generally follow discussion that Regions has historically provided in the MD&A section of its filings. One notable exception is the detailed qualitative disclosure suggested in paragraph 11(a). We believe it is unnecessary for a FASB pronouncement to specifically require discussion of risk elements, changes in methodology, management rationale, etc. We strongly encourage the Board to consider the auditability of this information and suggest that a more appropriate provision would be to simply require management to use judgment to disclose the information that is most pertinent regarding the accounting estimate such that a reader can understand the change.

* Contingent upon satisfactory resolution of the definition of "portfolio segment" and "class of financing receivables."

Transition Timing

Given the need for additional processes, procedures and controls as detailed above, Regions urges the Board to provide more time in adopting this standard. We suggest that it would be more appropriate to make the standard required for 2010 year-end reporting for a company with a December 31 fiscal year end (i.e., provide one year in addition to the transition contemplated by the exposure draft). Regions notes the Board's trend in providing less lead time in adopting new standards, particularly when the provisions are "disclosure-only." While we understand the Board's sense of urgency to respond to requests of financial statement users, we encourage the Board to balance the need for information with the practical implications of preparing new disclosures. Further, we question whether usefulness of these disclosures have been sufficiently evaluated from the perspective of all constituencies of financial statement users. If this trend continues, we fear that preparers may not have adequate time to appropriately plan for new disclosures, which could lead to the dissemination of inadequate (or even inaccurate) information.

Interim versus Annual

Regions notes that the exposure draft suggests that the full allowance disclosures be made on an interim basis. Regions believes that the cost of making these disclosures on an interim basis exceeds any benefit to financial statement users. Interim filings are compiled primarily to update information disclosed in annual filings. It appears to Regions that there is a troubling trend among standard-setters to increase the magnitude of interim disclosures.

For example, in the first calendar quarter of 2009 the Board responded to public criticism of the fair value accounting model with three FASB Staff Position pronouncements ("FSP"). The final FSP related to FAS 115 was issued in April 2009 and required all footnote disclosures associated with investment securities to be made for interim financial statements (previously, these disclosures were made only on an annual basis). We believe that this provision caught many preparers by surprise, given that the final standard was issued in April and was required to be implemented for the second calendar quarter. This disclosure provision also was not in the FSP exposure draft and was not subject to appropriate due process.

In addition, we point to the volume of disclosures that financial institutions make each quarter related to fair value and derivatives. For Regions specifically, since 2007, due to extensive disclosures related to fair value, derivatives, and securities, the page count of our Form 10-Q has increased approximately 75%. This trend is also typical of financial institutions in our peer group.

The exposure draft will certainly result in the filings becoming even lengthier and more expensive to prepare. We encourage the Board to consider that all perceived problems cannot be solved simply by making additional disclosures. For example, we only have

the ability to update FICO scores annually and therefore question the value of disclosing this information on an interim basis. The current level and complexity of disclosure already burdens readers with more information than can be reasonably digested. Accordingly, we urge the Board to change the timing requirements such that the disclosures are required for annual financial statements only. SEC rules already require that interim financial statements include disclosure of any matters of material significance that have changed since the previous year-end filing. We believe that this timing provides an appropriate balance in terms of cost of preparation and benefits to the financial statement users.

Again, we appreciate the opportunity to comment on this exposure draft and we thank you for considering our views. If you have any questions about our comments or wish to discuss this matter further, please contact me at (205) 326-4972.

Sincerely,

A handwritten signature in cursive script that reads "Brad Kimbrough" followed by a stylized flourish.

Brad Kimbrough
Executive Vice President, Controller and
Chief Accounting Officer