

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Debbeler (x353)

Subject: Minutes of April 28, 2010, Board Meeting: Disclosures about Credit Quality and the Allowance for Credit Losses **Date:** June 10, 2010

cc: FASB: Bielstein, Golden, Lott, Stoklosa, Proestakes, Barker, Maroney, Debbeler, Chookaszian, Posta, Glotzer, C. Smith, Mechanick, Gabriele, Sutay, Klimek, McGarity, Intranet; IASB: Leisenring; GASB: Finden

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Deliberations of three issues: modifications and subsequent defaults, leveraged leases, and effective date

Basis for Discussion: Board Memorandum No. 11

Length of Discussion: 8:00 a.m. to 9:00 a.m.

Attendance:

Board members present: Herz, Linsmeier, Seidman, Siegel, Smith

Board members absent: None

Staff in charge of topic: Barker and Maroney

Other staff at Board table: Golden, Stoklosa, Debbeler

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing disclosures about credit quality and the allowance for credit losses.

The Board's technical plan calls for that document to be issued in the second quarter of 2010.

Summary of Decisions Reached:

The Board met to discuss three issues: modifications, leveraged leases, and effective date.

Modifications and Subsequent Defaults

The Board considered what disclosures should be required about modifications made to financing receivables and subsequent defaults of those modified receivables. The Board decided to require creditors to provide the following disclosures:

1. Qualitative and quantitative information about troubled debt restructurings and any other significant modifications where a concession has been made, including:
 - a. Information by class of financing receivable that would allow financial statement users to understand the nature and extent of modifications made during the period, such as the following:
 - i. Qualitative information about the nature of modifications done
 - ii. Quantitative information about the extent and financial effects of modifications made during the period
 - b. Qualitative information by portfolio segment about how modifications are factored into the determination of the allowance for loan losses.
2. Qualitative and quantitative information about troubled debt restructurings within the last year, or other significant modifications of financing receivables within the last year where a concession has been made, that then defaulted in the current reporting period, including:
 - a. Information that would allow financial statement users to understand the nature and extent of subsequent defaults and their effect on the allowance for loan losses during the period, such as the following:
 - i. Quantitative information by class of financing receivable about troubled debt restructurings or other significant

- modifications where a concession has been made that defaulted within one year of modification
- ii. Qualitative information by portfolio segment about how subsequent defaults are factored into the determination of the allowance for loan losses.

Leveraged Leases

The Board decided that only credit quality disclosures should be provided for leveraged leases. The Board decided that disclosures about the allowance for credit losses should not be provided for leveraged leases.

Effective Date

The Board decided to provide a delayed effective date of the final Accounting Standards Update for nonpublic entities. The final Update will be effective for nonpublic entities for annual reporting periods ending after December 15, 2011. For all other entities, the final Update will be effective for interim and annual reporting periods ending after December 15, 2010. Disclosures for earlier periods presented for comparative purposes will not be required at initial adoption for any entities.

General Announcements: The Board directed the staff to draft an Update for vote by written ballot.