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3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

October 19, 2005

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: Proposed SFAS: Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140

To Whom It May Concern:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs that will implement the provisions proposed in the captioned FASB exposure draft. NYSSCPA thanks FASB for the opportunity to comment on its exposure draft.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Margaret Wood, chair of the Financial Accounting Standards Committee, at (212) 542-9528, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

President

Attachment

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

COMMENTS ON PROPOSED FASB STATEMENT OF FINANCIAL ACCOUNTING

Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140

October 19, 2005

Principal Drafter

Sharon Sabba Fierstein

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

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

**COMMENTS ON PROPOSED FASB STATEMENT OF FINANCIAL
ACCOUNTING STANDARDS**

**Accounting for Servicing of Financial Assets, an amendment
of FASB Statement No. 140**

General Comments:

The Committee agrees with the efforts undertaken by the Board to revise and clarify the issues relating to the standards governing the accounting for servicing of financial assets, as well as the efforts related to the accounting for transfers of financial assets and certain hybrid financial instruments. We are concerned, however, that these efforts could be viewed as piecemeal attempts to address the multiple open issues related to the original standard. Numerous changes to existing standards are confusing for both constituents and practitioners alike. Such changes could lead to deviations in practice and inconsistencies in the application of guidance. We are further concerned that this “bit-by-bit” process for the development of standards could call into question the validity of original standards. We therefore suggest that the Board reexamine all open issues related to the accounting for transfers and servicing of financial assets with a goal of developing one consistent standard that will address all unanswered questions within the marketplace.

Related to the above comments, we suggest that one of the aims of the Board should be to develop standards that are written in “plain English.” While it is a reasonable assumption that the public accounting profession is a sophisticated accounting community, many of the organizations that they audit are not. Guidance that is geared solely to the highest levels within the accounting community may not result in the desired goals of compliance, consistency in application and comparability among companies. We believe that in order to achieve those goals, it is necessary to have guidance that is understood by the profession and financial organizations, in general.

Answers to Specific Questions:

Issue 1 –Do you believe that the transition provisions permitting the transfer of securities classified as available-for-sale to the trading category without calling into question an entity’s treatment of such securities under Statement 115 are necessary?

While not a necessity, guidance related to transition provisions that would permit the transfer of securities classified as available-for-sale (“AFS”) to the trading category

without calling into question an entity's treatment of such securities under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, would be helpful to both practitioners and their clients. Allowing transfers between securities classifications would seem to be a natural extension of the guidance in the transition provisions of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. Further, providing such guidance would complete the "picture" for those entities who elect to use such instruments to offset risks inherent in servicing rights and who wish to avoid using derivatives due to their volatile nature.

Issue 2 – If so, do you believe there should be restrictions on an entity's ability to make transfers?

If transition provisions regarding transfers between security classifications are to be included in this amendment, such provisions should be restricted to the time that the amendment is adopted by the entity. This would mirror the guidance in SFAS 133, encouraging entities to make a determination of the appropriateness of such a change based on its business taken as a whole rather than on specific income statement needs at some future time. This would reinforce that such a change is principle based, rather than an opportunity to manage earnings.

Other Comments:

Issue 1 – Applicability to specific industries

We applaud the Board's recognition of the use of derivatives and other instruments to offset the inherent risk in servicing rights and the inequity that existed in the literature regarding accounting for such instruments and the servicing rights they were intended to offset. We are concerned, however, that the availability of choice for different asset classes will lead to a lack of comparability among similar organizations. As noted in the basis for conclusions, certain organizations that currently use the amortization method are already performing a fair value analysis for servicing rights as a method to determine impairment. For those organizations, the choice to elect the fair value method will be relatively easy and will likely involve little additional costs or processes to complete the transition. We would expect that such organizations would include mortgage banking corporations whose servicing rights reflect long term contracts.

On the other end of the spectrum are entities that have short term leases, for example, equipment leasing companies that typically make loans for less than five years (this could include automobile leasing companies, computer leasing companies or general equipment leasing companies). For those companies, due to the short term nature of the servicing rights, it would be extremely cumbersome and costly to implement the fair value method. Perhaps the Board should consider limiting the amortization method for servicing rights to those rights that are short term (as defined by the Board) and requiring the fair value method for all other servicing rights. We believe that such a distinction would be more reflective of the marketplace, provide consistency in application and improve comparability among financial statements.

Issue 2 – Application on a prospective basis

We agree with the provisions within the Amendment that require implementation on a prospective basis for all new servicing rights. However, we would encourage the Board to consider requiring subsequent implementation for existing servicing rights over a prescribed transition period. Such an approach would “fast track” consistent and comparable accounting and disclosure among affected organizations. This is particularly important for those entities whose servicing rights are long term in nature and who will need to provide dual disclosure for an extended period of time. Of course, consideration will need to be given to the effect on regulatory capital for such entities.

Issue 3 – Effective date

We recommend that the Board reconsider the effective date of the Amendment. By requiring implementation so soon after the issue date of the standard, the Board is not allowing organizations sufficient time to evaluate the impact of their decisions, as well as to develop systems to support such decisions. In order for an organization to develop appropriate software processes (and test those processes by running parallel) and to address all internal controls issues, additional time before adoption is required. We propose an implementation date on or after December 15, 2006.