



Financial Accounting Standards Board

Board Meeting Handout LOAN LOSS DISCLOSURES

April 22, 2009

PURPOSE

1. At the April 22, 2009 Board meeting, the Board will discuss the remaining issues that need to be addressed before the staff may ask the Board's permission to draft a proposed Statement.

HANDOUT FORMAT

2. The issues that need to be addressed are as follows:
 - a. Interim and Annual versus Annual Only
 - b. Comment Period
 - c. Effective Date and Transition.

PROPOSALS FOR THE BOARD'S CONSIDERATION

Interim and Annual Versus Annual Only

3. The current allowance for credit loss disclosure and associated credit risk disclosures are required on an annual basis only and not on an interim basis under APB Opinion No. 28, *Interim Financial Reporting*. However, many entities are required to disclose detailed credit risk information through quarterly regulatory filings. For example, quarterly regulatory filings require segregation of loans by loan type for loans (a) past due 30–89 days and still accruing, (b) past due 90 days and still accruing, and (c) on nonaccrual status. The staff also notes that most issuers provide some level of disaggregated credit quality information and breakdown of the allowance for credit losses on a quarterly basis in their investors presentations and/or press releases.

The staff prepares meeting handouts to facilitate the audience's understanding of the issues to be addressed at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect the views of the FASB or its staff. Official positions of the FASB are determined only after extensive due process and deliberations.

4. The staff recommends that the allowance for credit losses and associated credit risk disclosures be required for interim and annual periods. The staff believes this recommendation would provide financial statement users with timely credit risk information needed to perform analysis on an entity's loan portfolio especially in the ever-changing economic climate. The staff also believes that requiring these disclosures on an interim basis would not require preparers to spend substantial incremental time preparing the disclosures as a majority of this information is already provided in quarterly regulatory filings and/or public releases.
5. Based on the staff's recommendations, the following quantitative disclosures, which were discussed at the March 18, 2009 Board meeting, would be required in interim and annual periods for all periods presented:
 - a. Loan Rollforward Schedule
 - b. Allowance for Credit Losses
 - c. Credit Quality Information
 - d. Past Due Financing Receivables
 - e. Impaired Loans
 - f. Nonaccrual Financing Receivables.

Q1. Does the Board agree that all disclosures identified in paragraph 5 should be required for interim and annual periods?

Comment Period

6. The staff recommends that the comment period for the proposed Statement be 60 days. The staff believes this will give constituents the necessary time to review the various disclosures and to provide valuable feedback.

Q2. Does the Board agree with a 60-day comment period for the proposed Statement?

Effective Date and Transition

7. The staff's current project plan is to have an Exposure Draft of the proposed Statement issued for a 60-day comment period by May 2009 and for the final Statement to be issued by the end of September 2009. The staff believes it would be beneficial for the effective date to be prior to the proposed effective date for proposed Statement, *Accounting for Transfers of Financial Assets*, and proposed Statement, *Amendments to FASB Interpretation No. 46(R)*,¹ as the disclosures in this project will provide enhanced credit risk information related to the financial assets included in the scope of those two proposed Statements.
8. Therefore, the staff recommends the proposed Statement be effective for interim and annual reporting periods ending after December 15, 2009. This proposed Statement should not require disclosures for earlier periods presented for comparative periods at initial adoption. In periods after initial adoption, this proposed Statement should require comparative disclosures only for periods ending subsequent to initial adoption.

Q3. Does the Board agree that the proposed Statement

- a. Should be effective for interim and annual reporting periods ending after December 15, 2009?*
- b. Should not require disclosures for earlier periods presented for comparative periods at initial adoption?*
- c. Should, in periods after initial adoption, require comparative disclosures only for periods ending subsequent to initial adoption?*

Drafting the Proposed Statement

9. The staff believes that the Board has made all the major decisions needed to proceed with a preballot draft of a proposed Statement and, therefore, would like to seek permission from the Board to proceed to drafting a proposed Statement for ballot.

Q4. Does the Board give the staff permission to proceed to drafting a proposed Statement for vote by written ballot?

¹ The proposed effective date for these proposed Statements are as of the beginning of each reporting entity's first fiscal year or first interim reporting period that begins after November 15, 2009.