

Depository Institutions Expert Panel

Highlights of the April 9, 2014, Conference Call



The Depository Institutions Expert Panel serves the needs of AICPA members on financial and business reporting and audit and attest matters. The expert panel protects the public interest by bringing together knowledgeable parties in the depository institutions industry to deliberate and come to agreement on key depository institutions issues.

The following are brief highlights of the conference call:

<u>Call participants</u>	<u>Absent</u>
Sydney Garmong, Chair (Crowe) Hugh Guylar (Deloitte) Teresa Brennan (AICPA Staff) John Reiger (US Bank) Mike Lundberg (McGladrey) Brad Davidson (Crowe) Tom Canforatta (KPMG) Todd Sprang (CLA) Lee Keel (Wells) Chip Currie (PwC) Dom Guiffrida (Deloitte) Jamie Mayer (Grant) Aubrey Thacker (Capital One) Randy Morse (AHPPLC) Greg Talbott (Kinecta) Steve Morehart (BDO)	Xihao Hu (TD Bank) Linda Bergen (Citi) Barry Pelagatti (BDO)

Agenda topics:

1. **Proposed Accounting Standards Update—Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)**

http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176163749232

The FinREC chair serves as an observer at EITF meetings. Rather than submit a comment letter, the practice has been to provide talking points to the FinREC representative for

consideration at the applicable EITF meeting. A document containing draft responses to the proposal's questions was distributed to the DIEP to facilitate discussion. Given the comment period closes April 30, 2014, the DIEP should finalize our comments prior to the next call.

Action item: DIEP members were asked to review the draft responses and provide feedback by Friday, April 18th.

2. **Financial Instruments Project**

The DIEP discussed recent decisions made by the Board, including acquired loans and TDRs. The Panel explored possible ways it could offer to be helpful to the FASB, which might include offering assistance with implementation guidance. The Panel plans to discuss further next steps.

Action item: A separate call to discuss this issue was scheduled for Monday, April 14, 2014 at 2 pm.

3. **FAS 166**

A practice issue was added to the agenda regarding commercial mortgage loan structures. In some arrangements, the debt is structured into two notes: one note is retained by the issuer and the other could be sold or securitized. There is generally a co-lender agreement in place. These types of structures have been occurring in nonbank and are becoming more prevalent and could occur in depository institutions. The question posed is whether the structure represents two separate notes or a type of loan participation.

Action Item: Topic added to May meeting agenda.

4. **Volcker Rule**

<http://federalreserve.gov/newsevents/press/bcreg/20140407a.htm>

On April 7, 2014, the Fed announced its intention to exercise its authority to give banking entities two additional one-year extensions to conform their ownership interests in and sponsorship of certain collateralized loan obligations (CLOs). DIEP is watching for the market reaction following this announcement.

Members noted Dec. 31st 10-K filings generally included disclosures about risk of divestitures. DIEP members sense a slowdown in time and effort spent on Volcker, speculating either because all investible investments have been identified or because uncertainty on the scope remains.

Action Item: Continue to monitor this issue.

5. **BASEL Committee Guidance, "External audit of banks,"**

Issued on March 31, 2014 <http://www.bis.org/publ/bcbs280.htm>

In addition to the guidance, the Committee published a letter to the International Auditing and Assurance Standards Board (IAASB) on areas where it believes International Standards on Auditing could be enhanced. <http://www.bis.org/bcbs/commentletters/ifac45.pdf>

Action Item: Include on the agenda for the May meeting to discuss with regulators.

6. **GNMA Subcontract Servicers**

Follow up discussion from March call

Action Item: Table discussion to May meeting

7. **AICPA Audit Guide**

The review period for changes to the guide will begin in the next few weeks.

8. Administrative Notes

The Wednesday, May 14, 2014 monthly DIEP call was moved to Tuesday, May 13, 2014 at 10 am.

9. Call was adjourned at 10:10 am.

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