Title: Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations after the Issuance of FASB Statement No. 125

Date Discussed: May 21-22, 1997

References:
- FASB Statement No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases
- FASB Statement No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
- FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities
- FASB Statement No. 166, Accounting for Transfers of Financial Assets
- FASB Special Report, A Guide to Implementation of Statement 91 on Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases: Questions and Answers

ISSUE

Issue No. 88-17, "Accounting for Fees and Costs Associated with Loan Syndications and Loan Participations," addresses when a transaction structured legally as a loan participation should be accounted for like a syndication (an "in-substance syndication") and when a transaction structured legally as a loan syndication should be accounted for like a participation (an "in-substance participation"). Topic No. D-52, “Impact of FASB Statement No. 125 on EITF Issues,” summarizes the consensuses reached in Issue 88-17 and states that loan participations, including those described in Issue 88-17 as "in-substance syndications," must be accounted for as transfers of financial assets under Statement 125. Topic D-52 also states that a loan syndication is not a transfer of financial assets and, therefore, the guidance in Issue 88-17 related to transactions structured legally as loan syndications is not impacted by Statement 125.
The issues are:

1. Whether the provisions of Statement 125 apply to loan participations, even if those participations are deemed to be "in-substance syndications"
2. Whether to change the guidance in Issue 88-17 for loan syndications deemed to be "in-substance participations."

EITF DISCUSSION

The Task Force concluded that the consensuses reached in Issue 88-17 should be superseded. The Task Force reached a consensus that the accounting for transfers of financial assets as prescribed in Statement 125 applies to loan participations even if those participations are considered "in-substance loan syndications" as described in Issue 88-17. Therefore, all loan participations should be accounted for in accordance with the provisions of Statement 125.

The Task Force also reached a consensus that all transactions that are structured legally as loan syndications, including those described in Issue 88-17 as "in-substance loan participations," should be accounted for as loan syndications in accordance with the provisions of Statement 91.

STATUS

Statement 140 was issued in September 2000 and replaced Statement 125. Statement 140 does not affect the Task Force consensuses in this Issue. Statement 166, which was issued in June 2009, amends Statement 140 without reconsideration of this matter.

No further EITF discussion is planned.

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