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November 6, 2026

Via email to director@fasb.org

Mr. Jackson M. Day, Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, Transfers and Servicing—Servicing Assets and Liabilities (Subtopic 860-50): Mortgage Servicing Rights—Recapture (File Reference No. 2026-ED600)

Dear Technical Director:

We appreciate the opportunity to respond to the Board's exposure draft on Mortgage Servicing Rights—Recapture.

We appreciate the Board's efforts to align the measurement of these MSRs with their market pricing and reduce diversity in practice among servicers of residential mortgages. Although we do not expect operational challenges in applying the proposed amendments, we note that including recapture in the measurement of residential MSRs would create inconsistency with the treatment of internally generated customer relationship intangibles in other areas of U.S. GAAP. We have included our responses to the Questions for Respondents in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Tim Kviz at (703) 245-8685 or Angela Newell at (214) 689-5669.

Very truly yours,

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Appendix

Question 1: Is the scope of the amendments in this proposed Update clear and operable? Do you anticipate any auditing challenges? Please explain why or why not.

We believe the scope of the proposed amendments is clear and operable. However, if the Board intended the proposed amendments to apply only to MSRs related to single-family residential mortgages, we recommend clarifying that scope in the final ASU.

Question 2: Should the proposed amendments apply to other servicing assets and liabilities within the scope of Subtopic 860-50 (for example, servicing assets and liabilities related to commercial loans, credit card receivables, automobile loans, and student loans)? Please explain why or why not.

We would not object to expanding the scope of the proposed amendments to other servicing assets and liabilities within Subtopic 860-50 because doing so would promote consistent measurement principles for economically similar servicing arrangements.

However, the relevance and significance of recapture may differ by asset class. For example, commercial loans and other financial assets may be less sensitive to prepayment and interest-rate risk because the underlying loans may be variable-rate or subject to significant prepayment penalties, such as yield maintenance provisions. Additionally, there is typically less incentive to refinance consumer credit products, such as auto loans and credit cards, because the balances are lower than residential mortgage balances. Moreover, credit cardholders seeking a lower rate typically transfer their balances to a new credit card issued by a competitor rather than refinance their debt. Given consumer churn, recapture of credit card servicing rights may not be valuable to issuers.

Question 3: The proposed amendments do not define a residential mortgage loan. Is additional guidance needed to describe the types of residential MSRs that would be within the scope of the proposed guidance? For example, should a residential mortgage loan be defined as related to a single-family residential mortgage only? Please explain why or why not.

If the Board retains a narrow scope limited to residential MSRs, we recommend clarifying which types of residential mortgage loans that are within the scope of the proposed amendments. We believe the same measurement guidance should apply to residential MSRs associated with single-family and multifamily mortgages. We also recommend clarifying whether the scope includes reverse mortgages.

Question 4: Would the proposed amendments to include the value attributable to recapture when measuring a residential MSR provide decision-useful information and improve comparability? Are the proposed amendments clear and operable? Do you anticipate any auditing challenges? Please explain why or why not.

We agree that the proposed amendments would provide decision-useful information and reduce diversity in practice as it relates to measurement of MSRs. However, we believe the proposed amendments would reduce comparability across U.S. GAAP. The economic value attributed to recapture of MSRs is associated with the servicer's internally generated relationship with the

borrower. The proposed amendments would require entities to recognize an internally generated customer relationship intangible within the MSR asset, even though current U.S. GAAP (for example, ASC 350-30) precludes recognizing such intangibles. Accordingly, the value of similar internally generated customer relationships outside the context of residential MSRs would remain unrecognized, without a substantive basis for this distinction.

In addition, SEC Staff Accounting Bulletin No. 109 states that entities should exclude internally developed intangible assets, such as customer relationship intangible assets, from the fair value measurement of loan commitments accounted for at fair value through earnings. Instead, such intangible assets are recognized only in a third-party transaction. We believe the proposed accounting for retained residential MSRs would create tension with that principle.

A similar concept applies in the banking context. A bank may derive economic benefits from its internally generated relationships with depositors, yet it still does not recognize an internally generated customer relationship intangible for those relationships. Accordingly, including recapture value in retained residential MSRs would create an exception for a single type of internally generated customer relationship without a sufficiently clear conceptual basis for distinguishing it from other internally generated customer relationships.

Question 5: Are the proposed transition requirements operable? If not, why not, and what transition method would be more appropriate and why? Would the proposed transition disclosures be decision useful? Please explain why or why not.

We support the proposed modified prospective transition method and believe the transition requirements are operable. Applying the amendments to residential MSRs outstanding at the beginning of the period of adoption, with a cumulative-effect adjustment to opening retained earnings when applicable, would provide a practical means of bringing existing MSRs within the new guidance without requiring full retrospective application. This is also appropriate considering the narrow scope of the proposed amendments.

We also believe the proposed transition disclosures would be decision useful.

Question 6: How much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Please explain why or why not. If so, how much additional time would you recommend for entities other than public business entities?

We believe that a short implementation period would be sufficient, considering the narrow scope of the proposed amendments and that their primary effect is to add an assumption to the existing fair value measurement of residential MSRs. To our knowledge, purchasers can readily obtain market pricing of residential MSRs including (or excluding) the recapture value at their discretion. While entities will need to update their valuation methodologies and controls for the recapture assumptions, we do not believe those activities warrant different effective dates for public business entities and all other entities. Accordingly, we recommend the same effective date for all entities.

Question 7: The proposed amendments would permit early adoption. Do you agree that early adoption should be permitted at any time before the effective date? Please explain why or why not.

We agree that early adoption should be permitted at any time before the effective date.