November 6, 2026

Mr. Jackson Day
Technical Director
File Reference No. 2026-ED600
Financial Accounting Standards Board
801 Main Avenue
PO 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

Via email: director@fasb.org

Dear Mr. Day

The Indiana CPA Society (INCPAS), representing nearly 6,000 current and aspiring CPAs and related professionals in public practice, industry, government, and education, welcomes the opportunity to respond to the Exposure Draft referenced above. This response represents the views of the INCPAS Accounting & Attestation Advisory Council ("Advisory Council") with input from the INCPAS staff. Our comments refer to selected questions from the exposure draft as noted.

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.

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.

Without clear definitions or specific rules for residential mortgage loans, financial institutions would use inconsistent assumptions to value these assets, making it difficult for independent auditors to verify valuations reliably and consistently across companies.

We recommend that the Board include clear implementation examples or baseline parameters in the final update to ensure companies use similar market assumptions and help auditors verify valuations.

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?

A company's ability to recapture borrowers depends heavily on its internal technology, proprietary marketing platforms, and staff efficiency. Basing fair value on these company-specific capabilities rather than what a typical open-market buyer could achieve may produce an unrealistic valuation. Heavy reliance on these internal, unobservable assumptions would place the assets entirely in Level 3 of the fair value hierarchy.

The final standard should make clear that fair value measurements under ASC Topic 820 must reflect standard market-buyer assumptions, not an entity's unique, non-transferable internal marketing capabilities.

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.

Although the proposed modified prospective approach limits implementation complexity for standard preparers, a one-time equity adjustment may distort historical track records and inception-year performance comparisons for alternative investment vehicles and specialized asset managers.

We support the modified prospective approach for standard financial institutions but recommend that the Board allow alternative investment companies to elect retrospective transition to preserve clear historical trends for fund investors.

Thank you for the opportunity to submit these comments. Please direct any questions or concerns to INCPAS Vice President- Advocacy Sherrill Rude, CAE at srude@incpas.org or (317)726-5016.

Sincerely,

Courtney J. Kincaid, CAE, IOM
President & CEO
Indiana CPA Society

cc:
INCPAS A&A Advisory Council
INCPAS Government Relations Advisory Council