

Foreclosed Assets

July 28, 2008

Accounting for transactions concerning foreclosed assets often requires research due to the complexity of the transactions or the infrequency with which they occur. This Accounting Insight is intended to help by summarizing the accounting rules for various foreclosed asset transactions.

This guidance and the illustrations used do not address all possible scenarios; therefore, individual facts and circumstances should always be considered when determining the appropriate accounting treatment for each transaction.

Accounting issues related to foreclosed assets generally arise when:

- Foreclosed assets are acquired
- Foreclosed assets are being held
- Foreclosed assets are sold

Acquisition of Foreclosed Assets Held for Sale

This summary assumes foreclosed assets acquired will be held for sale. If your financial institution acquires foreclosed assets for use by the institution, the accounting treatment will be different.

Accounting for acquisitions of foreclosed assets is generally governed by Financial Accounting Standard (FAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Foreclosed assets are usually considered acquired when the institution receives legal title to the asset or when the institution obtains physical possession of the asset.¹ Certain states have laws that provide for a right of redemption period subsequent to foreclosure during which the borrower may be able to repossess the asset from the institution. For accounting purposes, such provisions do not affect the determination of when an asset is deemed to be acquired.

¹ See also FAS No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*, paragraph 34.

Foreclosed Assets**Acquisition of Foreclosed Assets Held for Sale** (Continued)

When a foreclosed asset is acquired, management must determine whether it will be held for sale² or held for use by the financial institution. Foreclosed assets acquired and held for sale should be recorded (that is, transferred from loans to foreclosed assets or other real estate) at the asset's estimated fair value less costs to sell as of the acquisition date. Costs to sell are incremental costs that result directly from and are essential to a sale transaction that would not have been incurred had the sale not been made. These costs include broker commissions, legal and title transfer fees, and other closing costs that must be incurred before legal title can be transferred. Costs to sell do not include costs that are not directly related to the sale transaction, such as delinquent property taxes, which are expensed when incurred.

Generally when a foreclosed asset is acquired, the foreclosed asset basis (that is, estimated fair value less costs to sell) is less than the loan principal balance ("loan basis"). The difference between the loan basis and the foreclosed asset basis at the acquisition date is charged as a loan loss to the allowance for loan losses.

It is possible, although unlikely, that the foreclosed asset basis could be greater than the loan basis. In this case, a gain would be recorded in the income statement for the difference. A recovery of a loan loss is not appropriate except to the extent previous loan losses have already been charged to the allowance for loan losses. Management and auditors should be skeptical of a transaction in which a gain would be recorded since the borrower would normally be inclined to obtain other financing or sell the property himself/herself if the asset basis is truly greater than the loan basis. Appropriate documentation should be obtained and carefully analyzed to support the asset basis.

Holding Foreclosed Assets Held for Sale

Foreclosed assets held for sale should be regularly evaluated for impairment. Impairment charges should be recorded as a loss in the income statement. It is not appropriate to record an impairment loss subsequent to acquisition of the asset as a charge to the allowance for loan losses. If the fair value of a foreclosed asset increases, gains should be recorded to the income statement only to the extent of prior charges for impairment losses. The basis of a foreclosed asset should never exceed the initial asset basis determined at acquisition.

Costs of holding foreclosed assets held for sale are recognized as expenses when incurred. These costs may include taxes, repairs and maintenance, marketing, etc. Similar to expenditures for other types of premises and equipment, certain costs may be capitalized if they significantly improve the estimated fair value of the asset. However, such capitalized costs must also be analyzed for impairment on a regular basis in connection with the related foreclosed asset.

² See FAS No. 144, paragraphs 30-33, for basic criteria that must be met for an asset to be considered "held for sale."

Foreclosed Assets

Sales of Foreclosed Assets (Personal Property)

There is very little accounting literature governing sales of foreclosed personal property. Generally, the sale will be recorded similar to the sale of other premises and equipment. If the sale is financed by the seller, the seller should consider whether a sale has taken place based on the facts and circumstances of the sale. For example, if the buyer does not have to pay any down payment (or makes a very small down payment) and the financing terms are more favorable than terms generally available to other customers, a sale may not have taken place, in which case the seller should consider whether the deposit method of accounting (described under “Sales of Other Real Estate”) is the appropriate accounting method.

Sales of Other Real Estate

Sales of foreclosed real estate (“other real estate”) generally fall under the guidelines of FAS No. 66, *Accounting for Sales of Real Estate*. FAS No. 66 does not provide specific guidance on how to account for losses on sales of other real estate. Based on other accounting guidance, such losses should be recognized when the sale occurs (if they have not already been recognized as impairment losses).

If the financial institution sells other real estate at no gain or at a loss, the guidance in FAS No. 66 must still be considered to determine whether and/or when a sale has occurred and the seller should remove the other real estate from its books. If the seller determines that the sale is consummated, the property should be removed from the seller’s books and, if applicable, a loan should be recorded for any seller financing. If the sale is not considered consummated, the seller should account for the sale using the deposit method. See Appendix C for a discussion of when a sale is considered consummated.

If the financial institution sells other real estate at a gain, the gain (or profit) should be recognized using one of the following methods:

- Full Accrual Method
- Installment Method
- Cost Recovery Method
- Deposit Method
- Reduced Profit Method

Foreclosed Assets**Sales of Other Real Estate** (Continued)

The full accrual method, which recognizes all of the gain on sale on the date of sale similar to other sales transactions, should be used to recognize gain on other real estate sales only if all of the following conditions are met:

- A sale is consummated
- The buyer's initial investment and continuing investments are adequate to demonstrate a commitment to pay for the property
- The seller's receivable is not subject to future subordination
- The seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property

If any of these conditions have not been met, the full accrual method cannot be used. Determining which method to use to account for a gain on sale of other real estate depends on which condition is not met and is detailed in Appendix C. Appendix A provides a decision tree that can also be used to help determine which method is appropriate. Appendix D includes a detailed discussion of each accounting method and illustrates how each method would be used.

If the conditions to use the full accrual method are met subsequent to the original sale date, the full accrual method can be used at that time and any deferred gain should be recognized immediately.

Reacquisition of Foreclosed Property Previously Sold

A financial institution will often finance sales of its own other real estate and, in some cases, may subsequently foreclose on other real estate previously sold. If the deposit method was used to account for the original sale, the property remains on the books of the financial institution and should continue to be recorded at its carrying amount less any additional impairment recognized. If any other method was used to account for the original sale, the property would be recorded at its fair value less selling costs in accordance with FAS No. 144 outlined previously in this guidance.

Additional Collateral Obtained in Connection With Sale of Other Real Estate

In certain cases, a seller may obtain additional collateral as part of a sale transaction. For example, the seller may not enter into a sales transaction with a relatively small down payment from the buyer unless the buyer pledges additional collateral to protect the seller in the event the buyer defaults. However, FAS No. 66 (specifically addressed by EITF Issue No. 88-12, *Transfer of Ownership Interest as Part of Down Payment under FASB Statement No. 66*) precludes the seller from including additional collateral or other assets as part of the buyer's initial investment unless the assets are immediately converted into cash.

Financial Statement Disclosures

Various financial statement disclosures are required for acquiring and holding foreclosed assets, sales of foreclosed assets when a method other than the full accrual method is utilized to account for the sale, and changes in accounting methods subsequent to the original sale. For details, refer to FAS No. 144 and FAS No. 66, or contact Wipfli.

Concluding Thoughts

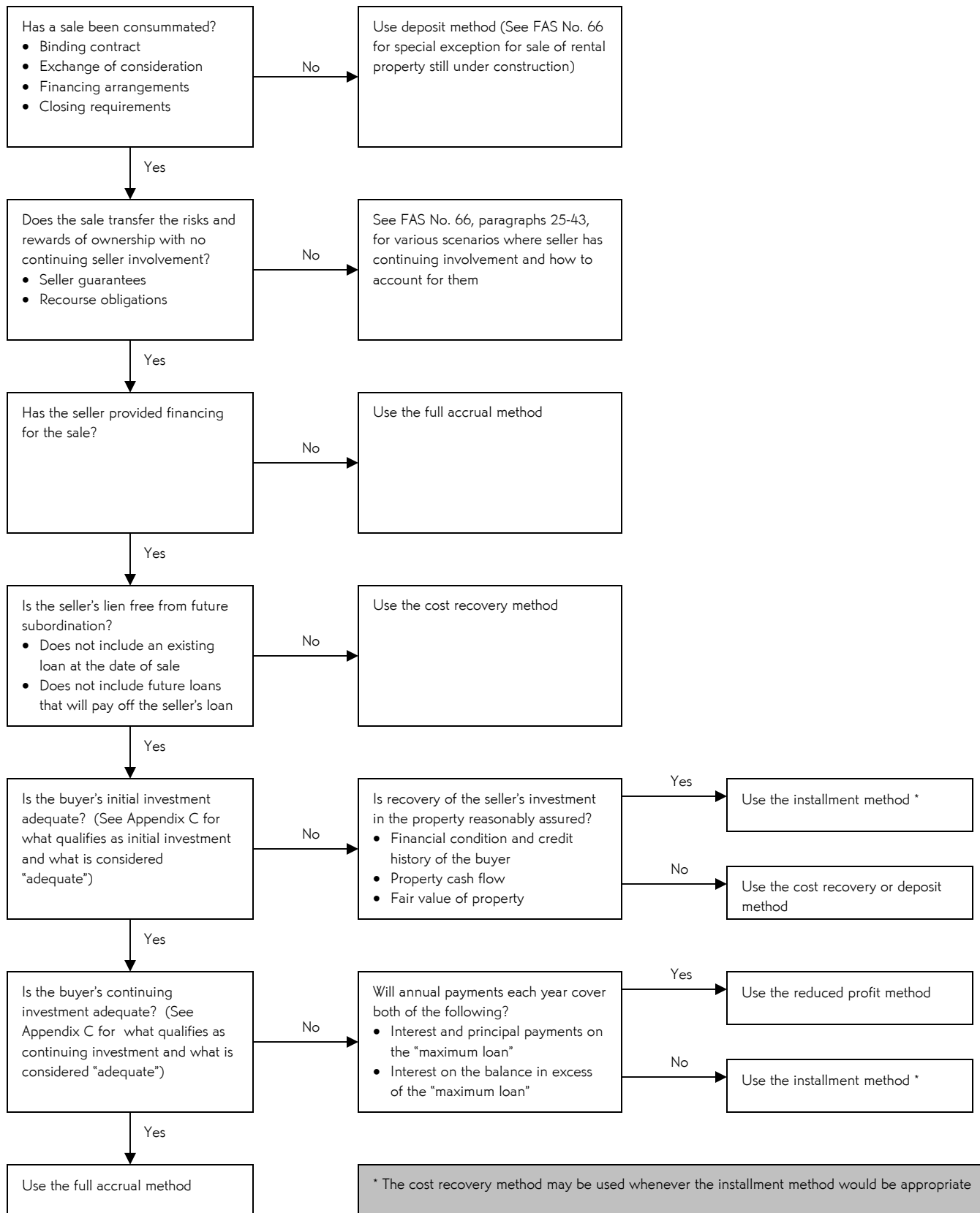
Accounting for foreclosed assets may involve very specific and sometimes complex accounting methods. While this Accounting Insight summarizes the accounting rules for various foreclosed asset transactions, the individual facts and circumstances of each transaction should be carefully considered to verify the proper accounting treatment is utilized. If you have questions regarding the accounting for foreclosed assets, please contact your relationship executive at Wipfli or Brett Schwantes.

The full text of FAS No. 144 (as amended) and FAS No. 66 (as amended) can be found at http://www.fasb.org/pdf/aop_FAS144.pdf and http://www.fasb.org/pdf/aop_FAS66.pdf, respectively.

Contact Information

If you have any questions or would like to speak to one of our professionals, please e-mail us at WipfliFinancialInstitutionsPractice@wipfli.com.

Sales of Other Real Estate Decision Tree³



³ See Appendix C for more detailed discussion.

Table of Minimum Initial Investments (FAS No. 66, paragraph 54)

This table does not cover every type of real estate property. To evaluate initial investments on other types of property, enterprises may make analogies to the types of properties specified, or the risks of a particular property can be related to the risks of the properties specified. In addition, if a firm loan commitment (or newly placed loan) from an independent lender for the property being sold exists, additional considerations are outlined in FAS No. 66, paragraph 53.

Property Type	Minimum Initial Investment Expressed as a Percentage of Sales Value
Land	
Held for commercial, industrial, or residential development to commence within two years after sale	20
Held for commercial, industrial, or residential development to commence after two years	25
Commercial and Industrial Property	
Office and industrial buildings, shopping centers, and so forth:	
Properties subject to lease on a long-term lease basis to parties with satisfactory credit rating; cash flow currently sufficient to service all indebtedness	10
Single-tenancy properties sold to a buyer with a satisfactory credit rating	15
All other	20
Other income-producing properties (hotels, motels, marinas, mobile home parks, and so forth):	
Cash flow currently sufficient to service all indebtedness	15
Start-up situations or current deficiencies in cash flow	25
Multifamily Residential Property	
Primary residence:	
Cash flow currently sufficient to service all indebtedness	10
Start-up situations or current deficiencies in cash flow	15
Secondary or recreational residence:	
Cash flow currently sufficient to service all indebtedness	15
Start-up situations or current deficiencies in cash flow	25
Single-Family Residential Property (including condominium or cooperative housing)⁴	
Primary residence of the buyer	5
Secondary or recreational residence	10

⁴ For single-family residential property, if collectibility of the remaining portion of the sales price is not expected, the minimum initial investment must meet additional criteria outlined in FAS No. 66, paragraph 54, footnote a.

Determining the Appropriate Accounting Method for Sales of Other Real Estate

Determining which method to use to account for a gain on sale of other real estate depends on several factors outlined below. Appendix A provides a decision tree that summarizes this discussion.

The full accrual method, which recognizes all of the gain on sale on the date of sale similar to other sales transactions, should be used to recognize gain on other real estate sales only if the following conditions are met:

- A sale is consummated
- The buyer's initial investment and continuing investment are adequate to demonstrate a commitment to pay for the property
- The seller's receivable is not subject to future subordination
- The seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property

If any of these conditions have not been met, the full accrual method cannot be used. The method that should be used depends on which condition is not met. If the conditions above are met subsequent to the original sale date, the full accrual method can be used at that time and any deferred gain should be recorded immediately.

Has a sale been consummated?

FAS No. 66 outlines the criteria that must be met in order for a sale to be consummated, or completed.

- The parties are bound by the terms of a contract
- All consideration has been exchanged
- Any permanent financing for which the seller is responsible has been arranged
- All conditions precedent to closing have been performed

If any of these criteria are not met, the sale is not considered complete, in which case the only method that should be used to account for the "sale" is the deposit method.

Determining the Appropriate Accounting Method for Sales of Other Real Estate (Continued)

Does the sale transfer the risks and rewards of ownership with no continuing seller involvement?

If a seller is involved with a property after it is sold in any way that results in the retention of substantial risks or rewards of ownership, the full accrual method is not permitted. Continuing involvement may include:

- Recourse provisions
- Seller guarantees
- Put options
- Purchase options
- Partial sales
- Seller sells property and leases underlying land
- Sale-leaseback transactions
- Seller participation in future profits/losses

This list is not all-inclusive, so careful attention should be paid to any sales transaction where the seller appears to have continuing involvement in the property. FAS No. 66, paragraphs 25-43, discuss various scenarios in which the seller has continuing involvement and how to account for them.

Has the seller provided financing for the sale?

If the seller does not provide financing for the sale and the prior two conditions have been met (sale is consummated and no continuing seller involvement), then the sale can be accounted for using the full accrual method. If the seller does provide financing for the sale, the following questions must also be considered.

Is the seller's lien free from future subordination?

In a seller financed transaction, if the seller's loan could be subject to future subordination, the full accrual method cannot be used. This restriction does not apply, though, to the following circumstances:

- The seller's lien is subordinate to a first mortgage on the property existing at the time of sale
- A future loan, including an existing permanent loan commitment (e.g., a revolving line of credit), is provided for by the terms of the sale and the proceeds of the loan will be applied first to the payment of the seller's loan

If the sale includes other provisions that would subject the seller's loan to future subordination, the cost recovery method must be used to account for the sale.

Determining the Appropriate Accounting Method for Sales of Other Real Estate (Continued)

Is the buyer's initial investment adequate?

In a seller financed transaction, the buyer should have a sufficient initial investment that demonstrates a commitment by the buyer to pay for the property and indicates a reasonable likelihood the seller will collect the loan. The buyer's initial investment can only include:

- Cash paid by the buyer (as down payment)
- Seller financing backed by irrevocable letters of credit from an independent lending institution
- Payments by the buyer to reduce existing debt on the property
- Other payments by the buyer that are part of the "sales value" (see FAS No. 66, paragraph 7)
- Other consideration received by the seller only if that consideration is immediately sold or otherwise converted to cash

The initial investment cannot include:

- Payments by the buyer to third parties for improvements to the property
- A permanent loan commitment by an independent third party to replace a loan made by the seller
- Any funds that have been or will be loaned, refunded, or directly or indirectly provided to the buyer by the seller
- Any loans guaranteed or collateralized by the seller for the buyer
- Loans obtained by the buyer from third parties secured by the property (EITF Issue No. 88-24)
- Loans to the seller backed by private mortgage insurance (EITF Issue No. 87-9)
- Assets securing the buyer's note payable to the seller (EITF Issue No. 88-12)

To qualify for the full accounting method, the initial investment must be at least as much as would be required by established independent lending practices. Generally, the initial investment must not be less than the minimum requirements outlined in FAS No. 66, paragraphs 53-54 (see Appendix B).

If the initial investment is not sufficient, the seller must determine whether the seller is reasonably assured that the cost of the property would be recovered if the buyer defaults. The following factors should be considered in this analysis:

- Financial condition and credit history of the borrower
- Cash flow of the property being sold
- Fair value of the property being sold

If it is reasonably assured the seller would recover the seller's cost basis of the property if the buyer defaults (for example, if the fair value of the property is higher than the seller's cost basis), the installment method should be used. If it is not reasonably assured the seller would recover the cost basis of the property, either the cost recovery method or deposit method may be used to account for the sale.

Determining the Appropriate Accounting Method for Sales of Other Real Estate (Continued)

Is the buyer's continuing investment adequate?

The buyer's continuing investment in an other real estate sale will be considered sufficient if the buyer is contractually required to pay each year on its total debt for the purchase price of the property (that is, debt to the seller and other third parties) an amount that is at least the level annual payment required using the customary amortization term of a first mortgage loan by an independent established lending institution for similar real estate and no more than 20 years for vacant land.

If the buyer's continuing investment is not sufficient, the reduced profit method should be used if the buyer's annual payments on the total debt are at least the total of:

- The interest and principal amortization on the maximum first mortgage loan that could be obtained on the property
- Interest at the market rate on the excess of the aggregate actual debt on the property over such a maximum first mortgage loan

If this criteria is not met, the installment method (or cost recovery method) should be used to account for the sale.

Accounting Methods Used for Sales of Other Real Estate

The following details the accounting methods used for sales of other real estate described in FAS No. 66. This guidance and the illustrations used do not address all possible scenarios; therefore, individual facts and circumstances should always be considered when determining the appropriate accounting treatment for each transaction.

Full Accrual Method

Under the full accrual method, gains on sales of other real estate are recognized in full when the real estate is sold. In order to use the full accrual method, all of the following criteria must be met:

- The sale is consummated (that is, completed)
- The buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property
- The seller's receivable is not subject to future subordination
- The seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property

Installment Method

The installment method is generally used when the buyer has not made a sufficient initial or continuing investment. Under the installment method, the initial gain is deferred and recognized as payments are received. The formula for determining the recognized gain is:

$$(\text{Total Gain on Sale} / \text{Sales Value}) \times \text{Principal Payment Received} = \text{Current Period Gain}$$

The following example demonstrates how gains are recognized under the installment method:

Assumptions

- | | |
|--------------------|-----------|
| • Sale price | \$100,000 |
| • Down payment | 5,000 |
| • Seller financing | 95,000 |
| • Asset basis | 60,000 |
| • Gain on sale | 40,000 |
| • Monthly payment | 800 |
| • Interest rate | 6% |

Accounting Methods Used for Sales of Other Real Estate (Continued)

Installment Method (Continued)

The seller's initial entry to record the sale is as follows:

Cash	\$5,000	
Loan receivable	95,000	
Foreclosed asset		60,000
Gain on sale ^(a)		2,000
Deferred gain		38,000

^(a) Gain on sale is calculated as follows: $(40,000 / 100,000) \times 5,000 = 2,000$

The following entry would be recorded for the first month's payment:

Cash	\$800	
Deferred gain	130	
Loan receivable		325
Interest income		475
Gain on sale ^(b)		130

^(b) Gain on sale is calculated as follows: $(40,000 / 100,000) \times 325 = 130$

Any deferred gain should be presented as an offset to loans receivable. If at any time the requirements for the full accrual method are met, the remaining deferred gain is recognized as income at that time.

If at any time the loan from the buyer to the seller is less than the deferred gain, the seller should recognize the difference as current gain. For example, using the same assumptions above except that the buyer obtained a 1st mortgage from a third party for \$80,000 and the seller financed a 2nd mortgage for the difference of \$15,000, a portion of the gain is still deferred since the 1st mortgage does not qualify as part of the buyer's initial investment. However, the total gain of \$40,000 exceeds the seller's loan balance of \$15,000. The initial entry to record the sale in this example would be:

Cash	\$85,000	
Loan receivable	15,000	
Foreclosed asset		60,000
Gain on sale ^(c)		25,000
Deferred gain		15,000

^(c) Gain on sale in this example is calculated as follows: $40,000 - 15,000 = 25,000$

The deferred gain would be reclassified as income as principal payments are received on the loan.

Accounting Methods Used for Sales of Other Real Estate (Continued)

Cost Recovery Method (Continued)

If the property sold was a single family residential property used as a secondary residence (requires a minimum 10% initial investment), note that in this example, the 10% investment requirement would have been met sometime in year 2, well before the cost of the property was recovered in year 6. Assuming that the other conditions to use the full accrual method were met in year 2, the seller would recognize the balance of the deferred gain in year 2 under the full accrual method and would not have to continue the cost recovery method calculation.

Deposit Method

The deposit method is generally used when the asset sale is not complete. It is also permitted (along with the cost recovery method) if the buyer's initial investment is not adequate and there is uncertainty whether the seller would be able to recover the cost of the property if the buyer defaults. Under the deposit method, the seller accounts for the transaction as if no sale occurred. No gain is recognized and the seller does not record a loan from the buyer. The seller continues to recognize the property on the seller's books. All payments received from the buyer are recorded as deposits (liability), except that nonrefundable interest payments can be used to offset property costs paid by the seller (e.g., property taxes, repairs and maintenance, etc.).

Using the same assumptions as the installment method example, the only entry the seller would record at "sale" would be to record the down payment:

Cash	\$5,000	
Deposit liability		5,000

When the first payment is made, again the only entry is to record the receipt as a deposit:

Cash	\$800	
Deposit liability		800

After the terms of the sale meet the criteria for the full accrual method, the seller would record the sale and any gain at that time. If we suppose that after the first payment, the buyer obtained third-party financing for the property, the seller would record the sale as follows:

Cash	\$94,675	
Deposit liability	5,800	
Foreclosed asset		60,000
Gain on sale ^(d)		40,475

^(d) Gain on sale includes the original \$40,000 gain plus interest of \$475 added to the deposit liability

Accounting Methods Used for Sales of Other Real Estate (Continued)

Reduced Profit Method

The reduced profit method may be required when the buyer's initial investment is adequate, but the buyer's continuing investment is not adequate (for more details on continuing investment and when the reduced profit method is required, see Appendix C). Since sales of other real estate with adequate down payments are generally not structured with inadequate amortization requirements, this method is seldom used in practice.

Under the reduced profit method, the difference ("discount") between the actual loan on the property and the present value of the loan cash flows using the maximum normal amortization term and market interest rate, if greater than the stated rate, is deferred until after the maximum normal amortization term and then recognized in proportion to the principal reduction. Using the assumptions below, the following example illustrates how gains would be recognized under the reduced profit method:

Assumptions:

- Sale price \$1,000,000
- Down payment 300,000
- Seller financing 700,000
- Asset basis 800,000
- Gain on sale (calc) 200,000
- The buyer could have borrowed up to \$800,000 for this type of property
- Stated interest rate on seller financing is 8%
- Market rate on seller financing is 6%
- Term of seller financing is 25 years
- The maximum normal amortization term for this loan is 20 years

In this example, the buyer has made a sufficient initial investment; however, since the loan is amortizing over a 25-year period rather than the maximum normal amortization period of 20 years, the continuing investment is not considered sufficient. The buyer's regular monthly payment on this loan is \$5,403. The minimum payment needed to cover principal and interest payments on the loan using the market rate and maximum normal amortization term would be \$5,015. The continuing investment is not sufficient, but the actual payment is greater than the minimum required payment; so the reduced profit method should be used.

Accounting Methods Used for Sales of Other Real Estate (Continued)

Reduced Profit Method (Continued)

The present value of the cash flows assuming a maximum normal amortization term of 20 years and using the higher of the market rate or stated rate (as required by FAS No. 66) of 8% is \$645,950. The difference (or discount) between this amount and the loan amount is \$54,050, which is also the amount of gain that will be deferred. The initial entry to record the sale is:

Cash	\$300,000	
Loan receivable	700,000	
Foreclosed asset		800,000
Gain on sale		145,950
Deferred gain		54,050

This gain is then deferred until after the 20-year normal amortization period is complete. In year 21, the deferred gain would be recognized as current gain in proportion to the amount of principal paid to the total remaining principal outstanding. For example, at the beginning of year 21 in this example, the remaining principal would be \$266,300. During year 21, principal payments would total \$45,165. The entry to record the payments received and the reclassification of deferred gain in year 21 would be:

Cash	\$64,836	
Deferred gain	9,167	
Loan receivable		45,165
Interest income		19,671
Gain on sale ^(e)		9,167

^(e) Reclassification of gain is calculated as follows: $(45,165 / 266,300) \times 54,050 = 9,167$

If the loan included a provision that a balloon payment for the entire balance was due after 10 years, the reduced profit method would still be the appropriate method since the amortization term is still longer than the maximum normal amortization term. When the balloon payment is made, all of the deferred gain would be recognized as current gain.

Accounting Standards Affecting Foreclosed Assets

(NOTE: This listing does not include all standards that might impact the accounting for foreclosed assets)

Primary Standards

- FAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*
- FAS No. 66, *Accounting for Sales of Real Estate*

Other Closely Related Standards

- FAS No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*
- FSP FAS 144-1, *Determination of Cost Basis for Foreclosed Assets under FASB Statement No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, and the Measurement of Cumulative Losses Previously Recognized under Paragraph 37 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets*
- EITF Issue No. 84-17, *Profit Recognition on Sales of Real Estate with Graduated Payment Mortgages or Insured Mortgages*
- EITF Issue No. 87-9, *Profit Recognition on Sales of Real Estate with Insured Mortgages or Surety Bonds*
- EITF Issue No. 88-12, *Transfer of Ownership Interest as Part of Down Payment under FASB Statement No. 66*
- EITF Issue No. 88-24, *Effect of Various Forms of Financing under FASB Statement No. 66*

Other Related Standards

- FAS No. 34, *Capitalization of Interest Cost*
- FAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*
- FIN 43, *Real Estate Sales*
- EITF Issue No. 86-6, *Antispeculation Clauses in Real Estate Sales Contracts*
- EITF Issue No. 86-7, *Recognition by Homebuilders of Profit from Sales of Land and Related Construction Contracts*
- EITF Issue No. 88-21, *Accounting for the Sale of Property Subject to the Seller's Preexisting Lease*
- SOP 01-6, *Accounting by Certain Entities (Including Entities With Trace Receivables) That Lend to or Finance the Activities of Others*