Mr. Richard R. Jones
Chair
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856

July 16, 2021

Re: Proposed Accounting Standards Update
File Reference 2021-003

Submitted via electronic mail to director@fasb.org

Dear Chair Jones:

The Equipment Leasing and Finance Association (ELFA) is the trade association that represents companies in the nearly $1 trillion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment finance market and contribute to capital formation in the U.S. and abroad. Its 575 members include independent and captive leasing and finance companies, banks, financial services corporations, broker/packagers and investment banks, as well as manufacturers and service providers. For more information, please visit www.elfaonline.org.

We at the ELFA continue to follow developments in lease accounting and to monitor the implementation questions raised by our members since the issuance of *Leases (Topic 842)*. We believe the *Proposed Accounting Standards Update, Leases (Topic 842), Discount Rate for Lessees That Are Not Public Business Entities* (the Exposure Draft or ED) will address the reporting issues covered by the ED without degrading the quality of financial information produced under the standard. Our specific comments on certain of the issues in the Exposure Draft are presented in the following paragraphs.

First, we believe allowing businesses that are not public entities the option to make an election regarding the discount rate used for their leases is reasonable. It will give the lessees the flexibility to determine when the added effort of estimating the incremental borrowing rate is worthwhile and when it is not. Many of these lessees are in close contact with their stakeholders, and they will be able to communicate with stakeholders regarding this election.

Second, the alternative proposed in Question 6 of using another mandated rate will only serve to replace one set of issues with another. While a rate other than a risk free rate will mitigate some of the issues caused by the use of a rate that does not include credit risk, it is probably too arbitrary to meet the needs of either users or preparers.

Finally, with regards to the requirement that a lessee electing the risk free rate still consider whether they know the rate implicit in the lease is reasonable. We do not believe the need to make this determination places a burden on lessees and will only be applicable in very limited circumstances.

We appreciate your taking our views into consideration and, as always, stand ready to assist you and the Board on matters of mutual interest.

Sincerely,

Ralph Petta

Ralph Petta

President and CEO
Equipment Leasing and Finance Association