From: Jed Stancato
To: Leases
Subject: Comments for Exposure Draft: Embedded Leases Practical Expedient
Date: Friday, May 1, 2026 5:16:10 PM
Attachments:

Good afternoon! Thank you for putting out this important exposure draft and for the opportunity to comment. Please see below, my responses to the written comment request by FASAB:

QFR1. Do you agree or disagree with the proposed practical expedient reflected in paragraph 3? The practical expedient would be inserted as a new sub-topic, paragraphs 77A-77F, under the "Contracts or Agreements with Multiple Components" topic of SFFAS 54, Leases. Please provide reasons for your views, including any suggested revisions.
I agree with the proposed expedient reflected in paragraph 3. Inclusion of the paragraphs will provide guidance to agencies who have non-lease components as part of the contracts. It takes the exact wording of SFFAS 62 and makes it permanent. I additionally support the addition of paragraphs 77C-77F as it provides guidance in the instance that a contract or agreement no longer meets the criteria and does not require retroactive treatment and instead calls for a prospective application. I do not believe edits to the language would be considered necessary,

QFR2. Do you agree or disagree with the proposed conforming amendments to paragraphs 73, 74, 76, and 79 of SFFAS 54, as reflected in paragraphs 4-6? These amendments are not intended to affect how the extant standards would be applied to contracts or agreements that are ineligible for the practical expedient. Please provide reasons for your views, including any suggested revisions or alternative/additional conforming amendments.
I agree with the proposed conforming amendments to paragraphs 73, 74, 76, and 79 of SFFAS 54, as reflected in paragraphs 4-6. For the same reasons listed in QFR 1, the addition of the language cited merely points to the use of the practical expedient, if it is applied. Beyond that, it does not impact SFFAS 54 in a material fashion. Therefore, I agree for that reason.

QFR3. Do you agree or disagree with the proposed rescission of paragraphs 96A-96E of SFFAS 54 and SFFAS 62 and the proposed effective date, as reflected in paragraphs 7-8? SFFAS 62 provided a transitional accommodation for embedded leases through September 30, 2026. The proposed practical expedient would extend this relief, becoming effective for reporting periods beginning after September 30, 2026. Please provide reasons for your views.
I agree with the proposed rescission of paragraphs 96A-96E of SFFAS 54 and SFFAS 62 and the proposed effective date, as reflected in paragraphs 7-8. Because agencies are already using the transition guidance, this rescission is in form only because it is effectively carrying that guidance permanently in paragraphs 77A-77C. Since agencies are already using the guidance, this gives certainty to agencies going forward on application and that they don't have to undo the things they have already done to comply with SFFAS 54 and 62. Having the effective date be for the periods after

September 30, 2026 makes sense as, for lack of better terms, nothing would really check for agencies other than the permanency of the transition guidance becoming the permanent practical expedient.

SMC1. Proposed paragraph 77C is intended to provide guidance when a contract or agreement modification changes the primary purpose of the contract or agreement from nonlease component to lease component. The Board expects such modifications would be rare. Please provide feedback on this proposal, including any known examples of or observations on the frequency (or infrequency) of such modifications in practice.
I believe that this paragraph adequately considers contracts that would fall out of being able to use the practical expedient and gives clear guidance on what agencies should do with respect to contracts or agreements that are modified that would cause it to no longer meet the conditions in paragraph 77A. I do concur that those modifications should be rare as most modifications should be to exercise contract options. Though, potential modifications that remove elements of the non-lease components could occur through a change in scope of a contract. This could then result in the contract landing squarely in the lease category. Similarly, a contract or agreement could be modified to remove lease components and having only a servicing component remaining. Both of these instances, should be rare in theory and practice.

The responses above are my own opinions and do not necessarily reflect the views of my employer or others at my employer's firm.

Sincerely,

Jed Stancato