



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Advocacy, Education & Compliance

April 1, 2016

The Honorable Russell G. Golden, Chairman
The Honorable James L. Kroeker, Vice Chairman
The Honorable Daryl E. Buck, Board Member
The Honorable Thomas J. Linsmeier, Board Member
The Honorable R. Harold Schroeder, Board Member
The Honorable Marc A. Siegel, Board Member
The Honorable Lawrence W. Smith, Board Member
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: NAFCU Regulatory and Legislative Committees Letter to the FASB on CECL

Dear Chairman Golden, Vice Chairman Kroeker, and Board Members:

We write to express our concern regarding the Financial Accounting Standards Board's (FASB) forthcoming Accounting Standards Update (ASU) on Financial Instruments—Credit Losses (Subtopic 825-15). As members of NAFCU's Regulatory and Legislative Committees, we strongly recommend the FASB issue an updated exposure draft for public comment prior to any further action towards a final ASU.

General Comments

The Regulatory and Legislative Committees are working groups comprised of over 50 credit union professionals that bring their combined knowledge to bear examining issues and providing insight for NAFCU's government affairs division. Our members come from every division within a credit union and display expertise in a wide-range of subjects, from regulatory compliance to accounting and finance. In addition, the credit unions we represent encompass various asset sizes, charter types and geographical locations.

With this background in mind, we write to stress our belief that the issuance of an updated exposure draft for public comment is necessary and important. The additional comment period would not only benefit the nation's credit unions but also provide all stakeholders, large and small, with a crucial opportunity to communicate their views about an accounting standard that will necessitate the expenditure of considerable resources.

Exposure Draft for Public Comment

As the Board may know, we believe the unique structure of credit unions as member-owned, not-for-profit cooperatives without investors is reason enough for credit unions to be entirely exempt from the credit losses project. However, at a minimum, the confusion and lack of transparency surrounding the development of the Current Expected Credit Loss (CECL) model necessitates the solicitation of additional industry feedback prior to finalization. In meetings with the FASB, industry stakeholders have repeatedly suggested the Board issue another exposure draft for public comment given the magnitude of CECL and confusion over its potentially devastating effects on the industry. We join in these concerns and urge the FASB to issue another exposure draft instead of proceeding to a final ASU.

The *Administrative Procedure Act* (APA) requires a federal agency to engage in a subsequent comment period when the agency makes such a substantive change to a rule that the rule is no longer a logical outgrowth of the proposal. We believe the APA standard triggering an additional comment period has clearly been met and the FASB, as a private, non-profit organization, should voluntarily abide by the requirements of the APA. Specifically, it is apparent that the December 2012 exposure draft has undergone several substantive changes, not mere adjustments or clarifications. Since the initial credit losses exposure draft has likely been substantively amended, we believe that the FASB should voluntarily issue an updated exposure draft for public comment.

In addition, we encourage the FASB to provide credit unions with every available opportunity to communicate their thoughts and concerns to the Board. Credit unions across the country have a vested interest in the credit losses issue and deserve the opportunity to provide more feedback, especially considering the impact the standard may have on the industry. Namely, it is imperative that the FASB consider and incorporate credit union input to ensure that an appropriate credit losses standard is adopted and applied to our industry. Therefore, we strongly urge the Board to work in a collaborative manner and reissue an exposure draft for comment so that credit unions may have the necessary opportunity to raise their concerns and suggestions.

Conclusion

We appreciate the opportunity to share our thoughts and welcome an open dialogue on the topic of credit losses. Should you have any questions or would like to discuss these issues further, please feel free to contact Executive Vice President of Government Affairs and General Counsel Carrie Hunt at chunt@nafcu.org or (703) 842-2234, or Regulatory Affairs Counsel Alexander Monterrubio at amonterrubio@nafcu.org or (703) 842-2244.

Sincerely,

NAFCU's Regulatory Committee & Legislative Committee

Regulatory Committee Members

Debra Schwartz, Chair, Mission FCU
Kammie J. Ahnert, Solidarity Community FCU
Howard Baker, Greater Texas FCU
Dan Berry, Duke University FCU
John Buckley, Gerber FCU
Joe Clark, Truliant FCU
Cutler Dawson, Navy FCU
Dawn Donovan, Price Chopper Employees FCU
Gail Enda, American Airlines FCU
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