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February 11, 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: Exposure Draft with Public Comment for Credit Losses

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

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I write to you regarding the Financial Accounting Standards Board's (FASB) forthcoming Accounting Standards Update (ASU), Financial Instruments—Credit Losses (Subtopic 825-15). NAFCU and our members recommend the FASB issue an updated exposure draft for public comment that reflects any and all amendments made since the draft issued on December 20, 2012. NAFCU believes that issuing an updated exposure draft would not only benefit credit unions but also allow all stakeholders a chance to provide their perspectives on an accounting standard that will inevitably cause significant expenditure of costs and resources. The entire industry deserves every available opportunity to find an appropriate balance between the costs to institutions and the benefits to financial instrument reporting.

Exposure Draft for Public Comment

As the Board is aware, NAFCU maintains that the unique structure of credit unions as member-owned, not-for-profit cooperatives without investors provides considerable reason for credit unions to be entirely exempt from the credit losses project. However, even if the FASB will not consider the special structure of credit unions specifically, at a minimum, the confusion and lack of transparency surrounding the proposal warrants further consideration and delay before finalization. In particular, the Public Meeting on February 4, 2016, in Norwalk, Connecticut,

reinforced the necessity for substantial changes to the Current Expected Credit Loss (CECL) model and additional time for credit unions to digest the potential accounting standard. During this meeting, industry stakeholders 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. NAFCU joins in these concerns and recommends the FASB to issue another exposure draft instead of proceeding to a final ASU.

As you may be aware, the *Administrative Procedure Act* (APA) not only mandates consideration of all submitted comments, but it also 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. While NAFCU concedes that the FASB, as a private, non-profit organization, may not be subject to these statutory requirements, it is our belief that the APA could serve as a useful guide as the Board considers its next steps. Specifically, it is apparent that the December 2012 exposure draft has undergone substantive changes, not mere adjustments or clarifications. In fact, on several instances during the Public Meeting, Board Members deflected industry concerns as the product of not having seen the current unreleased draft of the ASU. Since many changes to the ASU have clearly occurred and would likely be considered substantive under the APA, NAFCU believes that the FASB should voluntarily follow the example of federal regulators and reissue an updated exposure draft for public comment.

Moreover, NAFCU encourages the FASB to provide credit unions the opportunity to voice their thoughts and concerns as often as possible. The significant number of concerns raised related to the CECL model clearly signify that credit unions across the country have a vested interest in this issue and deserve the opportunity to provide more feedback given the potentially negative impact of this ASU. Credit unions believe it is critical that the FASB consider and incorporate industry input to ensure that an appropriate accounting for credit losses standard is adopted and applied to the credit union industry. Therefore, credit unions urge the Board to work in a collaborative manner and reissue an exposure draft for comment so that they may have the necessary opportunity to raise concerns and suggestions.

Conclusion

NAFCU appreciates the opportunity to share its thoughts and urges the FASB to consider issuing another exposure draft for public comment. Should you have any questions or would like to discuss these issues further, please feel free to contact me, or Regulatory Affairs Counsel Alexander Monterrubio at amonterrubio@nafcu.org or (703) 842-2244.

Sincerely,



B. Dan Berger
President/CEO