

From: Art Hornell [mailto:art.h@tpfcu.com]
Sent: Thursday, May 30, 2013 6:34 PM
To: Director - FASB
Subject: File Reference No. 2012-260 Credit Losses for Financial Instruments Proposal

FASB Director,

Thank you for allowing comments on the proposed changes to credit losses for financial instruments. We are a midsized federally regulated credit union. There are several aspects to your proposal that causes concerns for our credit union and I suspect many others.

1. Under the current proposal the change to this new accounting for credit losses could very well cause our credit union to double or even triple our impairment losses resulting in a reduction in our retained earnings. It would also cause concern for many of our member owners as to why this impairment dramatically changed.
2. Decreasing these retained earnings, at a time of already thin margins, could very well lead to a reduction in capital ratios. Credit unions only means for creating capital is through retained earnings. This reduction may put many credit unions capital into what our federal regulators (NCUA) determines requires prompt corrective action when before there were no concerns. Also, considering our current capital requirements are 7%, as compared to other financial institutions, only decreases our ability to compete.
3. Your expected loss approach would require us to do several things including speculative forecasting of future economic events. Our current approach using both historical losses and estimable losses produces a much more stable and comparable credit loss figure. By changing to the speculative method, each financial institutions forecasts most likely would be very different and thus the comparisons between financial institutions would be rendered useless for any consumer.
4. Changing to a speculative forecast would also quite likely increase the volatility of this calculation resulting in large changes in earnings and expenses that very likely will not match the future environment. Obtaining these speculative models would require much time, expense in both staff and dollars when these funds could be put to better use for our members.

I urge the FASB to reconsider this proposal, withdraw this proposal or at the very least exempt credit unions and their unique structure specifically from this proposal.

Sincerely,

Art Hornell, CCUE
GM/CEO
The People's FCU
Amarillo, TX