NAVY FEDERAL Credit Union

September 16, 2019

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2019-750

Dear FASB Technical Director:

On behalf of Navy Federal Credit Union, please accept and consider the following comments. We appreciate the opportunity to provide our input in connection with the proposed update. While we support the deferral of the effective dates of Accounting Standards Update (ASU) No. 2016-13 – *Financial Instruments – Credit Losses (Topic 326)* (Credit Losses Standard), ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, (Hedging Standard), and ASU No. 2016-02, *Leases (Topic 842)*, (Leases Standard), for smaller reporting companies (SRCs), private companies, not-for-profit organizations, and employee benefit plans, we believe the Credit Losses Standard should not be effective for interim periods until fiscal periods beginning after December 15, 2023 for listed entity types.

Background on Navy Federal

Navy Federal Credit Union is a member-owned, not-for-profit financial institution formed in 1933 to provide a variety of savings and lending programs to those individuals in its field of membership, which includes:

- Active duty military, reservists, veterans, retirees, and annuitants of the Army, Marine Corps, Navy, Air Force, and Coast Guard
- Army and Air National Guard personnel
- Delayed Entry Program personnel
- Department of Defense (DoD) civilians
- U.S. Government employees and contractors assigned to DoD installations
- Family members of any of the above

PO Box 3000 Merrifield VA 22119-3000

Today, we serve over 8 million members and financially account for over $100 billion in assets.

Our responses to the questions posed in the Exposure Draft are as follows:

Question 1: Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

The two bucket approach described and applied in the Exposure Draft is understandable.

Question 2: Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

This issue is not applicable to credit unions.

Question 3: Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

This issue is not applicable to credit unions.

Question 4: Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

As noted above, we support the FASB's decision to defer the effective date of the Credit Losses Standard for SRCs, private companies, not-for-profit organizations, and employee benefit plans to fiscal years beginning after December 15, 2022. However, we strongly encourage the FASB to amend the effective date requirements of the Credit Losses Standard to require interim reporting beginning in fiscal years beginning after December 31, 2023 for smaller reporting companies (SRCs), private companies, not-for-profit organizations, and employee benefit plans. We offer the following points for the Board to consider:

- Initial adoption of the Credit Losses Standard as of a fiscal year-end financial reporting date will provide adequate time for external auditors to assess and evaluate an entity's implementation approaches, processes, and results prior to the publication of any financial information during an interim reporting period.

- Initial adoption of the Credit Losses Standard in an interim period introduces unnecessary risk to Credit Union Call Report submissions in the 1st, 2nd, and 3rd quarters of 2023, as there is no requirement for the Call Report submissions to be audited or reviewed by independent accountants prior to filing.

- Interim financial information of smaller reporting companies (SRCs), private companies, not-for-profit organizations, and employee benefit plans required to be published (via SEC periodic filing requirements or Call Reports, for example) either are not required to include full footnote disclosures or do not include footnote disclosures at all. Users of financial statements will better understand the impact of the Credit Losses Standard on reported financial information when first adopted as of a fiscal year-end financial reporting date when audited footnote disclosures accompany reported results. This will ensure proper context and transparency are provided to the users of financial information when first analyzing the impact of the new accounting standard on reported results and when relying upon the financial information in decision making. This also aligns the fiscal year-end reporting of results upon adoption of CECL with fiscal year-end regulatory reporting, which will include the initial adoption of CECL. We emphasize to the Board the importance of this issue to credit unions and private banks required to submit a Call Report as no financial statement footnote disclosures are published on an interim basis in connection with filing this report.

Question 5: Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

In 2018, we early adopted the Hedging Standard and, as a result, are not responding to this question. However, as additional relevant accounting standard updates are issued related to the Hedging Standard, we request the Board continue to issue transition guidance for those entities that previously may have early adopted ASU No. 2017-12.

Question 6: Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

We believe the Board should defer the Leases Standard for (a) private companies, (b) not-for-profit organizations (excluding those that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.

Question 7: This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective date philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?

We do not believe interim reporting should include the impact of the initial adoption of any new accounting standard in any circumstance. We believe the Board should revise their effective date philosophy to require certain public business entities, SRCs, and nonpublic business entities to reflect the initial adoption of any new accounting standard within annual audited reported financial information. We do not believe interim reported financial information should be impacted by any new accounting standard until the year subsequent to adoption for the reasons listed in Question 4 above.

We believe the Board should align their effective date philosophies for all accounting standard updates for certain public business entities, SRCs, and nonpublic business entities. Certain standards, as issued currently, require initial adoption as of an interim reporting date (e.g. Credit Losses), while other standards require initial adoption as of an annual reporting date (e.g. Hedging and Leases). We believe the needed alignment will ensure the aforementioned entities can adequately assess and implement accounting standards efficiently and effectively, without undue strain on organizational resources.

We appreciate the opportunity to submit our views to the Board and we welcome any questions or comments you may have on this letter. Please feel free to contact me at (703) 255-8683 with any questions you may have.

Sincerely,

Sharon Poach
Senior Vice President, Corporate Accounting
Navy Federal Credit Union

cc: Debra Freeman
Chief Financial Officer
Navy Federal Credit Union