

August 27, 2004

Letter of Comment No: 8

File Reference: 1201-100

Date Received: 8-27-04

Technical Director  
File Reference No. 1201-100  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Re: File Reference No. 1201-100; Proposed  
Statement on Fair Value Measurements

Dear Madam/Sir:

Navy Federal Credit Union provides the following comments on the Financial Accounting Standards Board's (FASB) proposed Statement on Fair Value Measurements. Navy Federal is the nation's largest natural person credit union with over \$20 billion in assets and 2.4 million members.

Navy Federal appreciates FASB's efforts to consolidate its existing fair value measurement guidance into a single statement. We agree with FASB that current differences in various fair value pronouncements may have created inconsistent measurement practices, which have added to the complexity of generally accepted accounting principles (GAAP). We believe that maintaining one source for fair value measurement guidance will improve the consistency, comparability, and reliability of these measurements.

FASB explains that this Statement applies to assets and liabilities measured at fair value under "other pronouncements," with five exceptions. We do not believe it is immediately obvious what "other pronouncements" means. For example, it is our understanding that FASB may be considering issuing guidance on fair value measurement of mortgage servicing rights (MSRs). The proposed Statement, however, does not address MSRs as an explicit exception, and a reasonable person might assume that MSRs are covered by this Statement. Therefore, we encourage FASB to clarify the Statement's scope by specifically addressing whether it applies to MSRs, and to further clarify to which pronouncements this Statement applies.

Navy Federal does not support requiring credit unions to comply with the proposed expanded fair value measurement disclosure requirements. It is our understanding that FASB is proposing these expanded disclosure requirements to assist the public in determining a company's financial condition. For example, in the supplementary information to the proposed Statement FASB explains:

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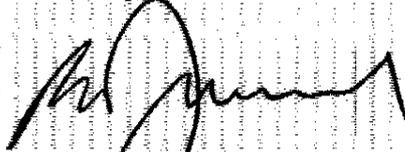
**"The expanded disclosures about fair value remeasurements supplement the fair value framework, providing information that is useful to present and potential investors, creditors, and others in making rational investment, credit, and similar decisions..."**

**We agree that such expanded disclosures could provide valuable information to the public about the financial condition of a for-profit, publicly-traded company. We do not see value, however, in requiring these expanded disclosures for credit unions, which are not-for-profit entities that are not publicly-traded. Further, the National Credit Union Administration (NCUA) already requires federal credit unions to perform exhaustive asset/liability management net economic value analyses and imposes conservative valuation and assumptions on balance sheet investment risk. We do not believe that performing additional fair value calculations and disclosing these on the financial statement will provide NCUA with any new, more helpful information.**

**We believe that the proposed expanded disclosure requirement would simply represent a new, significant accounting burden without any apparent offsetting benefits for the public or NCUA. Therefore, we strongly encourage FASB to exempt credit unions from the expanded disclosure requirement.**

**Navy Federal appreciates the opportunity to comment on the proposed Statement on Fair Value Measurements.**

**Sincerely,**



**Brian L. McDonnell**  
**President/CEO**

**BLM/slb**