



October 28, 2005

Technical Director-File Reference 1204-001
Order Department
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir or Madam:

On behalf of the New York State Credit Union League (NYSCUL), I would like to thank the Financial Accounting Standards Board (FASB) for inviting us to comment on the FASB Statement No. 141 – Business Combinations proposal. We applaud FASB's desire to address the important subject of business combinations, although we have serious reservations about the impact of this rule change on credit union mergers. Our concerns are outlined below.

We believe that the proposal to amend FASB Statement 141 would have unintended negative consequences on credit union mergers, as the rule change would prohibit a surviving credit union from combining the retained earnings of the non-surviving credit union with its own retained earnings. The consequence could be a significant decrease in net worth of the surviving credit union, possibly to the extent that it would be subject to sanctions and prohibitions under NCUA's Prompt Corrective Action regulation, Part 702. This could discourage or even prevent credit union mergers; especially those between credit unions of like size.

Under Part 702, credit unions are required to maintain a net worth ratio of at least seven percent to be classified as "well-capitalized." If a credit union were to fall below the seven percent net worth ratio it would be subject to regulatory sanctions. In the event that credit unions of like size merge, the surviving credit union may potentially fall below the "well-capitalized" threshold due to the inability to combine the retained earnings of the non-surviving credit union. This situation could prevent a credit union merger that is in the best interest of both credit unions. Credit unions merge for myriad reasons, the two most common being: 1) The merging credit union is having financial or operational difficulties or 2) the merging credit is unable to offer the products and services its members need. In these cases, a merger would allow the merging credit union's members to remain in the credit union system and have access to the products and services they need and want.

Therefore, we respectfully recommend that FASB reevaluate its position requiring the retained earnings of the non-surviving credit union be allocated separately on the surviving credit union's balance sheet as acquired equity and not combined with the retained earnings of the surviving credit union.

Once again, the New York State Credit Union League would like to thank FASB for the opportunity to comment. We would be happy to discuss this matter further, if you so desire.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Mellin". The signature is written in a cursive style with a large initial "W" and "J".

William J. Mellin
President and CEO, NYSCUL