Letter of Comment No: 38
File Reference: 1204-001

From: Beverley Rutherford [beverley.rutherford@vacu.org]
Sent: Friday, October 28, 2005 4:31 PM
To: Director - FASB
Subject: File Reference 1204-001

Thank you for the opportunity to comment on FASB's Exposure Draft related to FASB No. 141, Business Combinations. I am responding on behalf of a 1.2 billion state-chartered credit union in Virginia.

First, we do appreciate the Board's desire to have one method of accounting for business combinations. However, we would like to express our concern about using the acquisition method for credit union mergers. We believe if there ever was an appropriate situation for pooling of interests, mergers of credit unions would be it. Our comments and concerns can be summarized as follows:

- We have to wonder what value to our financial statements would be gained should we book this at fair value and the confusion it would cause for the average member in reviewing our financial statements.
- In evaluating the acquisition method, we anticipate considerable costs as we hire independent valuation experts to determine the fair value and additional tracking of costs.
- We are concerned about the effect on the allowance for loan loss and how to deal with future losses under this method.

If the Board will not consider an exemption from the acquisition method for credit unions, then we feel additional guidance and possibly balance sheet examples specific to credit unions would be helpful in measuring the fair value to the acquiree. Additionally, on the minimum disclosure requirements, we do not see where detailed disclosures add value to a non-public entity's financial statements. A simple paragraph with information about the merged credit union would be sufficient.

Thank you for the opportunity to respond. Should you need any further information, or clarification of the above comments, please free to contact me.

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