Letter of Comment No: File Reference: 1200-SRI Date Received: 5/10/04

----Original Message-----

From: Annie Espiritu [mailto:aespiritu@progressivecu.org]

Sent: Monday, May 10, 2004 4:14 PM

To: Director - FASB

Subject: From Progressive Credit Union: FASB 140 Comment

To whom it may concern:

The following is Progressive Credit Union's comment on FASB 140. We provided background of our credit union, how we are currently accounting for it and our issues to the new FASB 140.

If you have any questions, please do not hesitate to contact me. Thank You.

Sincerely,

Annie M. Espiritu Internal Auditor 212 695 8900 X-117

Progressive Credit Union 370 Seventh Avenue Suite 1400 New York, NY 10001 Tel: 212 695 8900

Background:

- Open charter regulated by the NYS Banking Department and NCUA insured.
- 22% of the loan portfolio is participated to other credit unions.
- Every loan sold to a participation bank is without recourse.
- Both the credit union and the participation bank have rights to collateral based on the % loan participation agreement (i.e.: UCC Filing)
- Not involved in buying loan participations, strictly only selling loan participations.

Accounting:

Loan participations are currently reported on the books net of loan participations.
Therefore, the credit union deducts the loan participations sold to the participation banks.

Issue:

■ Per new FASB 140, credit unions involved in loan participations will be impacted due to the use of less advantageous accounting treatment of keeping the assets on the books as secured borrowing. This accounting treatment would increase each individual loan where many individual loans of the credit union may exceed the lending limit cap of \$1,000,000 (per NYS Banking Department). The credit union is currently involved in selling loan participations in order to lend over \$1,000,000 per individual and help their members. The new FASB 140 will affect the credit union by not being able to lend monies to members who exceed the \$1,000,000 limit cap and will defeat the purpose of selling loan participations.