



August 7, 2008

Technical Director
File Reference No. 1600-100
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 79

Re: Comment on Proposed Statements on Disclosure of Certain Loss

Contingencies

Dear Technical Director:

Navy Federal Credit Union provides the following comments in response to the Financial Accounting Standards Board's request for comment on proposed changes to Statements of Financial Accounting Standards (SFAS) Nos. 5 and 141R, concerning the disclosure of certain loss contingencies.

Navy Federal is the largest natural person credit union in the world with over \$34 billion in assets and over 3 million members. Credit unions are not-for-profit member-owned financial services organizations that exist to serve the needs of their members by offering better rates and lower fees. As of January 2008, 8,425 credit unions served close to 90 million members. While credit unions are not publicly held and therefore not bound by SEC requirements for financial reporting, credit unions adhere to generally accepted accounting principals and therefore would be affected by this SFAS proposal. This proposal would affect two critical areas of accounting and disclosure for Navy Federal and other credit unions, i.e., the allowance for loan and lease losses (ALLL) and legal contingencies.

Navy Federal currently records and discloses its ALLL in its annual report in accordance with SFAS 5. Adoption of this proposal would expand ALLL disclosures to include qualitative information, such as estimate assumptions and other factors that affect the ALLL. In addition, under this proposal, Navy Federal might be required to disclose its maximum exposure to loss and modify its current tabular reconciliation disclosure to include information about changes in estimates. Proposed SFAS 5 would also require an earlier disclosure of legal contingencies than currently required. Presently, a loss must be disclosed if it is reasonably possible; under the proposal, a loss would be disclosed if the likelihood were more than remote. And, if a claim

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amount is not known, a company would need to disclose its maximum exposure to loss, even if prejudicial. Finally, the proposal would require additional qualitative disclosures about legal contingencies, including description of loss, factors likely to affect outcome, and the impact of such factors on the outcome.

Generally, disclosures should provide report users solid information on which to base financial decisions about report preparers, e.g., estimates of actual losses to be sustained. Disclosures should not be overly-detailed or cause unnecessary concern or alarm to readers. We support efforts toward improved disclosures and transparency for users of financial reports; however, this proposal appears to increase disclosure burden without necessarily providing better information on loss contingencies. In addition, the effect of disclosing information about legal cases earlier than practicable could have a potentially detrimental effect. The disclosure of an unasserted claim when the likelihood of loss is more than remote is a very low and potentially unrealistic standard. And, the proposed effective date, in time for the fiscal year 2008 annual report, would make it difficult to rework existing disclosures in time to meet the new disclosure standards deadline.

In conclusion, Navy Federal opposes the proposed enhancements to contingency disclosures, as we feel they would increase the reporting burden, disclose potentially harmful information about report preparers, and fail to enhance the usefulness of reports to readers. We appreciate this opportunity to comment on FASB's proposed changes to the disclosure of certain loss contingencies. Any questions with respect to our comments may be directed to Anita Marchion, Assistant Vice President, Regulatory Compliance, at (703) 206-4758.

Sincerely.

John Peden Acting President

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