

Mr. Russell Golden Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116 August 21, 2009

Via email: director@fasb.org

File Reference No. 1700-100 Proposed Statement on Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Dear Mr. Golden:

We appreciate the opportunity to comment on the exposure draft concerning changes to the Allowance of Credit Losses.

We are a mid-sized credit union serving school employees in Northeastern Oklahoma. We believe our comments concerning the proposed disclosure requirements are reflective for most credit unions regardless of size. We believe the proposal will create significant hardship for our organization as well as most credit unions.

We wish to comment specifically on the FASB's statement that this "will not present a significant cost to its constituents." We respectfully disagree with this statement as we believe there will be significant implementation and maintenance costs in order to develop the necessary information to comply with the new disclosure requirements. In addition, the December 15, 2009 deadline will present a significant hardship to all institutions, small and large alike.

Because we are a credit union that did not price nor underwrite loans based on credit scores until just recently, the vast majority of our loans do not have a credit score assigned in our loan portfolio database. Since the new disclosures require various tables of information regarding the credit grade of the different loan categories, we will be unable to provide this information on the vast majority of our portfolio by the end of 2009. We have nearly 30,000 loans in our portfolio – making it a daunting task to provide these disclosures in the mandatory timeframe. Since we do not have credit scores on every loan yet, we will incur a significant cost to acquire these scores and load them into our database.

The new disclosures require that we prepare a schedule listing *Beginning Balances*, *Originations*, *Sales/Repayments*, *Transfers*, *Other and Ending Balances*. The *Repayments* amount, at best, will have to be "backed into" based on the rest on the components that we do track already. Even the *Statement of* 

Cash Flows allows us to show just the net change in loan balances. The FASB made this concession years ago when it was determined to be a very difficult number to tie back to (and a very large and un-useful number on the report!).

The new disclosures will require development of new reports with new formats, all of which will require countless man-hours to setup (assuming we have all the necessary data fields populated such as credit scores, loan modified yes/no and market values). Since we have a relatively small accounting staff, these new requirements will place a significant time burden on our small department.

I believe you will discover that many credit unions will be in the same boat in regards to these requirements. Most credit unions have a tradition of conservative loan underwriting in which the qualifying standards have been much more stringent than relying solely on credit scores. We as an industry have utilized Debt to Income Ratios, Net Worth and Income Verification procedures to make our loan decisions. Although this information is documented in loan applications, it is not so easily documented in the loan databases. Thus the disclosure reporting dilemma this creates for our industry.

Regarding the usefulness of the proposed disclosures, we do not believe its usefulness will outweigh its cost. Credit unions do not have investors analyzing the financials for stock values. The members are most interested in the safety of their deposits and so a strong capital ratio is usually their focal point. Some credit unions do borrow and so they have creditors who might find the information useful. However, our lenders require we regularly transmit our loan portfolio details so they may do their own analysis. This holds true for the NCUA our Federal regulators as well. They have been satisfied with this information, and they too are focused on a strong capital position.

We respectfully request the FASB reconsider the scope and timing of this proposal. A December 15, 2009 deadline affects nearly every financial institution in the country as most have a 2009 calendar year-end looming. With the current regulatory environment adding massive doses of new compliance requirements, this is a horrible time to add more burden to the already stretched and limited resources we all have. Effective implementation by this date seems remote at best. We ask that some common sense be brought into this process. Otherwise the FASB becomes a part of the problem rather than the solution.

Respectfully,

Kin Eyans

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