From: Beverley Rutherford [mailto:beverley.rutherford@vacu.org]
Sent: Monday, December 13, 2010 4:46 PM
To: Director - FASB
Cc: Beverley Rutherford
Subject: File Reference No. 1850-100

Thank you for the opportunity to comment on your proposed changes to accounting for leases. I am responding on behalf of a state chartered credit union located in Virginia. Our comments to the proposal are of a general nature, and for simplicity are listed below in bullet format:

- Overall, we disagree that existing accounting for leases is "broken" and feel the new standards are unnecessary.
- The proposed accounting turns what is now a very simple process into a very complex process. This hardly makes sense from a practical standpoint unless significant value is added. FASB has not shown where that value lies considering minimum lease payments are already disclosed in financial statement footnotes. Smaller companies may have to pay someone to do the lease accounting for them, and larger companies may have to purchase software packages just to keep track of this. This doesn't even address additional staff time.
- The proposed accounting is not reflective of the economic terms of a lease. One reason that many companies lease is in order to test the waters. Having to estimate how long one may possibly renew the lease makes no sense and is unreliable. In addition, the expense is counterintuitive by being front-end loaded when the cash flow is opposite.
- Companies should not be recording assets for items they do not own within their Fixed Asset section.
- Interest expense should not be recorded on a lease; this understates occupancy expenses over the long term.
- If finalized, this standard should not be retroactive. Existing leases were signed under other financial reporting expectations. Having to apply this retroactively could cause issues with ratios, including capital ratios for financial institutions. In addition, credit unions are subject to fixed asset limitations, and this could cause some to exceed them.
- The exemption for "short-term" leases is too short at one-year. A five-year lease term should be short enough to be exempted from this complexity.
- This could negatively affect the leasing market simply because of financial statement ramifications. It makes financial sense for some companies to lease. If they have to go through this additional accounting, many of them may decide it is not worth it.
- Rent payments should be operating cash flows, not financing cash flows.

- If this goes forward as proposed, perhaps an exemption could be considered for non-public companies. These companies are less likely to have the resources to carry out more complex accounting when there are limited users of their financial statements.

Thank you again for the opportunity to air our concerns with this proposal. Should you need clarification to any of our comments, please feel free to contact me.

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