From:
 Beverley Rutherford

 To:
 Director - FASB

 Cc:
 Beverley Rutherford

Subject: Ref. 2011-150 Supplemental Document - Impairment

Date: Wednesday, March 30, 2011 5:06:27 PM

We appreciate the opportunity to comment on your proposal related to the recognition and accounting of impairment. I am responding on behalf of a state chartered credit union located in Virginia with over 2 billion in assets and over 200,000 members.

Overall, we believe the proposal introduces more complexity with limited value, increasing the cost to comply especially for smaller institutions. Specifically, we have the following comments on the proposal, with the corresponding question noted:

- Question 1. We do not believe the proposal will correct the issue of delayed recognition. This number is the biggest estimate on the balance sheet; estimate means that you do not know what is going to happen, and in this case actual performance can differ significantly. Even with supposedly recognizing losses immediately on the "bad book," this will not be resolved since no one knows exactly how much those losses are going to be. It is still an estimate. While it may accelerate recognition, it still is not going to be "correct." This proposal also adds so much additional subjectivity into calculating the allowance that it opens the door to even more manipulation.
- Question 3. The proposal for handling the "good book" seems like the results will be similar to what we see today, but perhaps more complicated to carry out with assets potentially moving in and out of the "good book" as well as the need to estimate total lifetime credit losses and compare a portion to expected losses in near future. We believe one method is enough. The current approach of analyzing historical losses and making a qualitative adjustment for environmental factors should yield a result similar to expected losses in the near future. If this truly is a "good book," it seems like this approach would be more than adequate to continue.
- Question 5. We do not believe the proposed approach would add any value to what is currently being performed. It simply makes it more complicated and overall will just require institutions to hold an overall higher allowance balance. This will put downward pressure on earnings and capital during the implementation period. Once fully implemented, it seems that the earnings impact would be muted somewhat as you still can only charge-off a loan one time. However, the complexities introduced will make this more complicated for smaller institutions, requiring additional technical knowledge, technology, and/or outsourcing expenses.
- Question 6. While FASB identifies alternate approaches, when it comes to operationally putting this in place, the results are never as black and white as they may seem theoretically. We do not agree with the need to separate out the bad book and handle it any differently. If it is that "bad" then perhaps acceleration of charge-off or a partial charge-off would be more appropriate.

Thank you again for the opportunity to voice our comments. Should you have any questions about our comments, feel free to contact me.

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