From: Vivien Standridge [mailto:vstandridge@southlandfcu.com]

Sent: Friday, May 24, 2013 1:39 PM

To: Director - FASB

Subject: Financial Instruments-Credit Losses (Subtopic 825-15) File Reference No. 2012-260



FASB Director,

Southland Federal Credit Union is thankful for the opportunity to have our feedback considered in regards to the proposed changes by FASB in the accounting standards related to recognizing credit losses. I can identify several drawbacks with the proposed change.

One thing that is taught in Accounting 101 is the matching principle. The matching principle says that expenses relating to earned revenues during an accounting period should be recognized in the same period. The proposed change would require credit unions to expense future losses that could possibly occur over the life of the loan in one period based upon a "guess" while the income may not be recognized for years to come. These losses may or may not occur over the life of the loan and are detrimental to the credit unions financial position.

The proposed rule change could possibly double or triple our allowance for loan loss essentially overnight which would cause a reduction in retained earnings. This loss of retained earnings would be damaging to a credit union. A credit union whose capital ratio is less than 9% could see their ratio drop below 7%. In turn, this drop would place the credit union under the prompt corrective action (PCA) rules set by NCUA. This seems unfair to place any credit union under the PCA rules when the projected loss may or may not occur. Credit unions are member owned not for profit entities, and by those standards we have two ways in which to generate income to build or replenish capital. Those ways are through fees and interest income. Loan interest income accounts for 95% of interest income for this credit union.

Generally, the proposed change appears very subjective and liable to extensive assumptive modeling. Past experience leads me to believe that this does NOT necessarily return more accurate credit loss predictions. It will most certainly lead to (a) significantly higher ALLL modeling expense across the organization as well as the financial system, (b) extensive necessary expertise on behalf of the examiners and auditors to understand the modeling and the assumptive base and (c) the result, greater opacity of financial institution balance sheets creating various unintended consequences.

For the reasons stated above, credit unions, members and investors in the global financial services system would all appreciate a solution that is simple, transparent, and easy to duplicate. Without

this, proper governance is difficult and expensive. I appreciate this opportunity to share my opinion on the very important systemic proposal.

Sincerely, Vivien Standridge, Accountant Southland Federal Credit Union 2601 S. John Redditt Drive Lufkin, TX 75904 (936)639-2311 - Phone (936)639-9854 - Fax