From: Rebecca Elliott [mailto:relliott@uhcu.org]
Sent: Friday, May 31, 2013 6:20 PM
To: Director - FASB
Subject: Comments on Proposed Accounting Standards Update: Financial Instruments - Credit Losses (Subtopic 825-15) File Reference No. 2012-260

Technical Director
FASB File Reference No 2012-260

As a member-owned, not-for-profit financial cooperative operating for the purpose of promoting thrift, providing credit at competitive rates and providing other financial services to our members, United Heritage Credit Union **strongly opposes** the FASB's accounting standards update as proposed. Unlike for-profit entities, the primary reader of credit union's financial statements is the NCUA and the state credit union department, not individuals nor institutional investors. In an industry in which net worth and reserves are highly scrutinized by regulators (having statutory restrictions on net worth), the proposal is very complex and will create new costs for credit unions impacting income and net worth and cause financials to fluctuate dramatically from month to month. This volatility could have a very negative effect on credit union operations.

The proposed loan-loss standard could require the ALLL to be doubled or tripled in a period in which the matching principle would not be applied as the credit union would be required to recognize full lifetime expected (speculated) losses versus recognizing the expected income over the tenure of the loan and would require a forecast or speculation of future economic conditions to determine the expected loss or future collections. Given a room full of economists I don't believe they would agree on projected conditions 3 years from now much less 7 to 10 years (as we would be required to forecast for home equity or mortgage loans). Currently multiple impairment models are used to determine the fair value and deterioration of the loans given known specific events, historical loss by loan type, as well as current qualitative and economic information not only for member geographical area but also taking into account the state and national economy.

In a highly regulated industry with constant changes to rules and regulations through BSA, Dodd-Frank, etc. this proposal could be the most dramatic and detrimental to Credit Union operations and the ability to serve its members.

Sincerely,

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