North East Texas Credit Union

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May 31, 2013

Technical Director
Financial Accounting Standards Board (FASB)
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116
Via email (director@fasb.org)

RE: Credit Losses Proposal
File Reference No. 2012-260

Dear Director:

I am writing in reference to the current proposed rule for credit losses on financial instruments. Thank you for the opportunity to comment on this proposal.

As the CEO of a mid-sized Credit Union I am very concerned about the Credit Losses Proposal that FASB is proposing. If implemented, it would affect our credit union and the credit union industry. Industry experts have estimated that implementation of the proposal may increase the required allowance for loan loss reserves by two or three times current levels. For credit unions, this would negatively affect earnings, which would result in a significant decrease in capitol, triggering regulatory action if the credit union falls below the well-capitalized amount of 7% net worth to total assets. To recognize and expense losses based on future losses that may or may not occur is detrimental to a credit union's financial position and could e detrimental to its viability.

Recognition of expected losses over the life of the loan at the time a loan is originated presents a mismatch of loss recognition and revenues. The loss recognition at origination would be based on factors that are subjective and not within the expertise of accounting staff to accurately predict.

The current model used by Credit Unions has been working well. If used properly Credit Unions will have an adequate amount of reserves to cover losses.

I believe it would be inappropriate to apply the proposed changes to credit unions, based on their unique structure as private, not-for-profit, cooperatively owned, financial institutions.

The primary user of a credit union's financial statements is its regulator, which is not likely to benefit from the proposed changes since it already has a well-developed understanding of the operations of the credit unions it regulates.

We urge FASB to work closely with the federal financial regulatory agencies throughout the remainder of the standard-setting process, and we encourage such collaboration to continue, particularly with NCUA in light of the unique structure of credit unions.

We ask FASB to consider a credit impairment approach that is more in-line with the proposed FASB model, particularly the aspect of the FASB's model that uses a twelve-month forecast period.

I am not in favor of this proposed rule and urge you to withdraw the proposal.

Respectfully submitted,

Kay Stewart

Kay Stewart
President/CEO
North East Texas Credit Union