

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

August 23, 2013

Technical Director
File Reference No. PCC-13-01B
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. PCC-13-01B

Exposure Draft – Accounting for Goodwill

Dear Sir or Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I write to you regarding the Financial Accounting Standards Board's (FASB) and Private Company Council's (PCC) exposure draft proposing an accounting alternative for the accounting for goodwill. In general, under the alternative, an entity would only test goodwill for impairment upon a triggering event that indicates that it is more likely than not that the fair value of the entity is less than its carrying value. In addition, the alternative simplifies the measurement of impairment by setting the amount of impairment loss as the extent to which an entity's carrying value exceeds its fair value. The alternative also requires that an entity amortize goodwill on a straight-line basis over the remaining useful life (not to exceed ten years) of the primary asset acquired in the business combination from the goodwill derived.

NAFCU believes this proposal will generally reduce the costs and complexity for credit unions to account for goodwill compared with existing guidance, and supports the proposal to the extent that it does so. However, for the reasons described below, NAFCU argues that the scope of the proposal, as applied to credit unions, should be expanded. Credit unions should not need to conduct impairment testing upon a triggering event and should instead always be allowed to engage in amortization of goodwill on a straight-line basis over its useful life. Alternatively, NAFCU requests that the FASB provide greater clarification on the sets of circumstances that constitute a triggering event that would require impairment testing.

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I. Introduction

First and foremost, NAFCU would like to reiterate its position that in proposing new accounting standards updates, the FASB should take into account the unique structure of credit unions as member-owned, not-for-profit, cooperative entities. Credit unions aim to meet their members' needs and provide quality service, not to generate profit. Thus, every dollar they use to comply with regulations and accounting standards is a dollar they cannot use for the greater good of their members and the communities they serve.

II. Proposed Impairment Testing Requirements

NAFCU agrees that the proposed accounting alternative would significantly reduce the cost and complexity for credit unions accounting for goodwill compared with existing guidance. However, the scope of the proposal, as applied to credit unions, should be altered so that credit unions are not required to engage in impairment testing upon a triggering event. Instead, all goodwill recognized by a credit union should be subject to straight-line basis amortization over its useful life. Credit unions do not typically engage in business combinations giving rise to significant levels of goodwill. Requiring credit unions to engage in the extensive and laborious process of goodwill impairment testing would provide little additional information, while resulting in a meaningful reduction to credit union resources.

Further, the primary reader of credit unions' financial statements is the National Credit Union Administration (NCUA), not individual or institutional investors. The NCUA has access to the financial records of federal credit unions and engages in constant oversight of their financial condition. The amortization and disclosure provisions already present in the proposed accounting alternative would provide sufficient information to the NCUA to allow it to conduct a deeper examination into particular credit unions where it deems necessary.

In the alternative, NAFCU seeks further examples of what constitutes a triggering event. Because credit unions do not typically engage in transactions giving rise to significant levels of goodwill, the FASB should provide additional guidance as to the circumstances a credit union could face that would indicate that the fair value of the entity may be below its carrying amount. Such guidance would reduce the cost and complexity for credit unions to comply with the accounting alternative.

III. Conclusion

For the reasons discussed above, NAFCU believes that the proposed accounting alternative should not require credit unions to engage in impairment testing upon a triggering event. Instead, it should allow credit unions always to engage in amortization of goodwill on a straight-line basis over its useful life. In the alternative, NAFCU requests that the FASB provide greater clarification on the sets of circumstances that constitute a triggering event that would require impairment testing. NAFCU appreciates the opportunity to provide our

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comments. Should you have any questions or concerns, please feel free to contact me at ameyster@nafcu.org or (703) 842-2272.

Sincerely,

Angela Meyster

Regulatory Affairs Counsel