August 24, 2009

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
File Reference No.: 1700-100  

Re: "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"

Dear Director:

On behalf of the Banks and Associations of the Farm Credit System (System), we welcome the opportunity to express the System's views with respect to the FASB proposed Statement of Financial Accounting Standards, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses."

Background Information about the Farm Credit System

The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Through its five Banks and 90 Associations, the System provides sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and farm-related businesses. The Associations are cooperatives owned by their borrowers, and the Banks are cooperatives owned by their affiliated Associations or principally owned by cooperatives and other eligible borrowers. As of June 30, 2009, the System's combined assets totaled $216 billion, with $162 billion of the assets consisting of net loans, and liabilities of $188 billion, with $180 billion of the liabilities being Systemwide debt obligations that are publicly traded.

The comments that follow are the result of consideration of issues related to the disclosure requirements proposed by the FASB. Some System institutions may be submitting comments separate from this letter in order to address specific issues not discussed or to clarify or emphasize positions expressed herein.

General Comment

We agree with the goal to enhance disclosures about an entity’s allowance for credit losses, as well as the credit quality of an entity’s financing receivables, thereby improving the transparency of financial reporting. However, we believe that the proposed disclosures
surrounding detailed policies and procedures used to calculate the allowance for loan losses is excessive. The allowance is an inherently judgmental estimate and current disclosures already provide for the most critical elements used in the determination of the allowance. We do not believe that more disclosures around detailed policies and procedures will enhance the reader’s ability to assess our credit risk or the adequacy of the allowance for loan losses. Of particular concern, we combine over 90 entities, each of whom are responsible for providing information that would be needed for this disclosure. Accordingly, to require this disclosure by year-end 2009 would not provide adequate time to appropriately plan and coordinate information requests and requirements or to make needed information system changes.

Comments on FASB Proposed Questions

The following comments relate to the issues as set forth in the exposure draft:

Issue 1: This proposed Statement defines a financing receivable as both loans as defined by FASB Statement No. 114 and lessors’ investment in leases other than operating leases that have been recorded as assets in accordance with FASB Statement No. 13. Do you agree with the definition used to identify a financing receivable subject to the provisions of this proposed Statement?

Yes, we agree with the definition as set forth in the exposure draft.

Issue 2: This proposed Statement would apply to all creditors, including all public and nonpublic entities that prepare financial statements in accordance with generally accepted accounting principles. Do you agree with the scope of this proposed Statement?

Yes, we agree with the scope of this Statement.

Issue 3: This proposed Statement would require a rollforward schedule of the total allowance for credit losses in both interim and annual reporting periods by portfolio segment and in the aggregate. In addition, it also would require a rollforward schedule of financing receivables in both interim and annual reporting periods by portfolio segment and in the aggregate. Do you believe those disclosures will assist financial statement users in better understanding the financial information for the total allowance for credit losses as well as the associated financing receivables?

No, we do not believe the added disclosures would assist financial statement users in better understanding the financial information presented. The Farm Credit System currently provides a rollforward of the allowance for loan losses by loan types. We do not collect and report this information in the two categories proposed – individually evaluated credits and those collectively evaluated. Gathering this information from over 90 different institutions would be difficult and would require sufficient time to revise information systems in order to comply with the proposed Statement. We further believe that a rollforward of financing receivables would not be meaningful to users of the financial statements. System entities finance seasonal operating loans, where relatively large amounts are frequently drawn and repaid. Providing details of all such loan activity does not enhance a reader’s ability to understand the
composition of the loan portfolio, the quality of that portfolio or the adequacy of related reserves, and may even be misinterpreted as borrowers having difficulties and drawing on their available funds. In addition, to require quarterly and annual reporting of these rollforwards represent a substantial additional work burden.

**Issue 4:** This proposed Statement would require interim and annual credit quality disclosures about a portfolio by class of financing receivable, including quantitative and qualitative information about the credit quality of financing receivables. Do you believe those disclosures will assist financial statement users to better understand the credit quality for the associated financing receivable?

Yes, we agree that additional transparency about credit quality of a portfolio is meaningful to financial statement users. However, the extent of the disclosures to be reported on a quarterly basis is excessive and we believe the incremental benefit received for this disclosure does not justify the operational costs of compliance.

**Issue 5:** This proposed Statement would require an analysis of the age of financing receivables that are past due, but not impaired at the end of the reporting period separately for each class of financial instrument. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables?

In general, this information may be meaningful to users of the financial statements.

**Issue 6:** This proposed Statement would require the fair value of loans at the end of the reporting period by portfolio segment. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables?

No. The vast majority of the System's loans are not traded in secondary markets so the fair value disclosures represent internal estimates and would not be meaningful to users of the financial statements. Further, we view the reporting of fair value by portfolio segment as burdensome without providing significant additional information of value. In addition, losses in fixed rate loans would be seen as negative when not viewed fully in the context of asset-liability management and any offsetting gains in the debt securities funding these loans.

**Issue 7:** Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods?

No. For many of the disclosures required, the information is highly subjective and variant across the over 90 System institutions. In order to comply, many of the information systems used by the System will need to be modified. The required changes could take six months to one year.
Issue 8: The final Statement is expected to be issued in the third quarter of 2009. The Board concluded that this proposed Statement would be effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2009. Do you agree with the Board's decision on the effective date? If not, what would be a reasonable period of time to implement the provisions of this proposed Statement? If you do not agree, please provide a description of the process changes necessary to implement this proposed Statement that would require additional time.

No, we don't agree with the timeline set forth by the Board. In addition, due to the significance of the required disclosures, system changes would be required. These changes must be made and tested. In preparing the financial statements of the System, we combine over 90 entities. Each of these entities are responsible for providing its individual data and in that regard, we would need to coordinate with each of these entities to ensure reporting information sent to us is consistent and complete. As a result, we would not have sufficient time to develop and manage this data by year-end 2009. We would need at least one year to ensure the data gathered from over 90 entities is consistent and complete.

We appreciate this opportunity to respond and hope our comments prove useful to the Board. If you have any questions with respect to the contents of this response, please call me at (201) 200-8071.

Respectfully,

H. John Marsh, Jr.
Managing Director -
Financial Management Division