October 22, 2013

Russell G. Golden, Chairman
Federal Accounting Standards Board

Re: Financial Instruments-Credit Losses (Subtopic 825-15)

Dear Chairman Golden:

As FASB works to finalize its proposed current expected loss impairment model, I urge the board to work with industry to improve accounting standards related to the recognition of credit losses with a principles-based accounting approach that allows for flexibility and judgment in producing reliable loss estimates. An effective rule would improve accounting standards while minimizing disruption to middle class families and the economy in general by negatively impacting lending.

The proposed credit loss standards could have a substantial impact on banks’ ability to lend, which does not seem to be the intent of the proposal. An overly long time frame to consider losses could create inaccuracies that would adversely impact lending and directly inhibit long-term investment. The time horizon to consider loss estimates should be reliable and predictable. By working with industry to create an effective rule, FASB will preserve the ability of financial firms to offer flexible and affordable lending products to customers. Moreover, new rules should result in financial statements that are useful to informed observers and promote comparability among financial firms.

Thank you for your consideration and your attention to the real economic impact of the board’s decisions. As a fellow CPA, I know that you share my belief that accounting should not be a driver of business decisions but simply a way to accurately explain decisions.

Sincerely,

Patrick Murphy
MEMBER OF CONGRESS