March 26, 2013

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Submitted via email: director@fasb.org; File Reference No. 2012-260

Thank you for the opportunity to provide input on the proposed amendment. Genisys Credit Union will respond to several of the Board’s questions in this comment letter.

Will earlier measurement of credit losses as an estimate of expected credit losses, rather than delaying recognition of credit loss until the loss is considered probable, provide more decision-useful information?

Genisys believes that the proposed new method will not provide more useful decision making information. For financial statement users looking to make a decision on the financial soundness of an organization, the primary focus should be on the integrity of the statements. Allowance estimates based on actual/incurred loss information would be more than estimates of potential cash flow that may or may not be received.

Do you agree that the net amortized cost (which reflects the present value of cash flows expected to be collected) results in more decision-useful information than currently exists under U.S. GAAP?

As mentioned above, we believe that the relative value of an asset (market value) is more decision-useful than any methodology that uses subjective input. Trying to determine the value of an asset based on the remaining cash flow expected to be received is a subjective exercise.

Do you believe that recognizing all expected credit losses provides more decision-useful information than recognizing only some of the expected credit losses? If not, which expected credit losses should not be recognized (for example, 12 months or similar foreseeable future horizon, initial recognition threshold, and so forth)? Do you foresee any significant operating concerns or constraints in requiring that all expected credit losses are recognized?

All expected credit losses are currently being recognized. The question is which methodology would be the most valid in identifying credit impairment. We believe the current methodology would have a higher degree of validity. From an operational standpoint the new method would require a much greater degree of analysis and a much higher cost to administer.

An estimate of expected credit losses under the proposal would be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the financial assets’ remaining contractual cash flows. Will this approach provide decision-useful information to the credit union and the Board of Directors?

We agree that using relevant information about past events is decision-useful to Management and the Board. It is currently being used to evaluate on-going operations and also in our strategic planning process to help
qualify future decision making. We don’t believe there is a correlation between the benefit derived from our current use and the proposed new method of estimating credit impairment.

The proposed amendments would require that a credit union place a financial asset on nonaccrual status when it is not probable that the credit union will receive substantially the entire principal or substantially all of the interest. In these circumstances the credit union would be required to apply either the cost-recovery method or the cash-basis method. Will this impact your credit union, and will it improve decision making information?

Asset recognition under the accrual or cash basis method would have little impact on the Credit Union. Both methods are currently applied depending on the accounting event.

The credit union would apply the changes proposed by the amendments by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. Do you agree with the transition provision?

If the proposed amendment is implemented a cumulative adjustment would be acceptable.

Do you believe that FASB distinction between troubled debt restructurings and non-troubled debt restructurings continues to be relevant?

We definitely agree that the treatment of restructurings result for borrower repayment difficulties should be treated differently than those restructures that are done when there has not been a history of delinquency in payments.

The proposed amendments would allow a credit union to not recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income under certain conditions. Do you foresee any significant operability concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

Yes. If the practical expedient can only be used when fair value is greater than book value (unrealized gain) and not less than book value(unrealized loss), then credit unions with large investment portfolios would have to use the new methodology when market values are below book increasing the cost to administer this methodology.

In general, we do not see a benefit to members or credit union operations from this proposed rule. We believe that the greater subjectivity of projecting cash flows will lead to greater uncertainty as to the sufficiency of allowances for loan losses.

Sincerely,

Thomas H. Alter
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Genisys Credit Union