April 1, 2013

COMMENT LETTER
FASB’s CREDIT LOSSES PROPOSAL

Re: File Reference No. 2012-260 Financial Instruments—Credit Losses (Subtopic 825-15)

In the current economic times, The Exposure Draft Subtopic 825-15 referencing allowance for loan loss calculation would have a negative impact on several key financial ratios. The first impact would be an immediate increase to the Allowance for Loan and Lease Loss. This would result in a reduction in the capital ratio which may have a far more reaching impact with our regulators.

The current methodology using a historical loss model, if applied correctly and supplemented by adequate disclosures, such as any adverse economic factors, TDRs, etc., will be a more accurate model to determine the Allowance for Loan and Lease Loss.

Attempting to predict credit loss for the life of the loan is subjective and is an improper methodology for calculating the Allowance for Loan and Lease Loss. To assume future loss that may or may not occur is a subjective prediction.

As Subtopic 825-15 broadens the range of information to be considered in measuring the proposed calculation of Allowance for Loan and Lease Losses, the complexity of the proposal would prevent financial institutions from utilizing this methodology as an integrated whole and industry regulators would be unable to fairly examine all the measurements used to project credit impairments.

Thank you for allowing me the opportunity to comment on Exposure Draft Subtopic 825-15.

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