May 31, 2013

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856


Dear Chairman Seidman:

I am writing on behalf of Suncoast Schools Federal Credit Union, a not-for-profit, cooperative financial institution that serves over 550,000 members along the west coast of Florida. Suncoast Schools FCU appreciates the opportunity to comment on the FASB Proposed Accounting Standards Update on Financial Instruments – Credit Losses (Subtopic 825-15).

In general we oppose the proposed rule that would require a shift from the existing incurred loss model to a more forward projecting current expected credit loss model.

**Impact on the Economy**
One of our primary concerns is the detrimental impact this could have on our economy, and as a result, our members. As a not-for-profit, cooperative Credit Union, we hold enough in reserves to manage a safe and secure financial institution, and the rest is distributed to our members in the form of better loan and deposit rates, and low or no fees. This proposal as stated would require us to put more in reserves than is necessary based on our recent loss experience adjusted by our current environmental factors. In a time when financial institutions and the economy are still recovering from the recent Great Recession, financial institutions need to keep lending to keep the recovery moving. This proposal could stifle that growth if significant reserves are required to be recognized immediately upon making a loan, whereas the income is recognized over the term of the loan. This mismatch of expense and income on a loan has the potential of discouraging credit availability since institutions may primarily seek the best credit quality loans that will have the least impact on the income statement on day one of the loan. This would limit the ability to offer credit options to credit challenged consumers, and in some cases eliminate the competition that keeps market rates lower.

**Increased Complexity/ Increased Cost**
One of the FASB's stated objectives is to provide decision useful information to investors. As stated in the FASB’s Frequently Asked Questions dated March 25, 2013, we understand the reason for the proposal is “to address the weakness that was identified in current U.S. GAAP by the Financial Crisis Advisory Group (FCAG) regarding the delayed recognition of credit losses.” If the Current Expected Credit Loss Model was implemented 5 years ago, there were no projection models that, if applied according to the proposal, could have
accurately predicted how bad the economy would become and therefore recognize the magnitude and impact on credit losses. Further, the use of complicated projection models to support forecasts could potentially be costly not only from the cost of obtaining and analyzing this information, but also from the auditability of the output. Neither our regulator nor our accounting firm will have the expertise to audit a complex economic forecasting model, therefore a separate assurance engagement will likely be required. These additional costs do not justify the benefit of this subjective information due to the speculative and unpredictable economic forecasts that would be required. Further, forecasts can vary drastically causing less predictive credit loss models and less consistency and comparability across the industry.

**Recommendation to Improve Proposal**

As stated in this letter, we oppose the proposed rule in its current form and urge FASB to consider a credit impairment approach that is not as detrimental as the proposed Current Expected Loss Model. Even the International Accounting Standard Board’s proposal allows for a reasonable twelve-month forecast period. The current incurred loss model allows for adjustments to historical loss ratios based on current environmental trends and factors. If applied properly, this does provide an appropriate twelve-month loss recognition to the income statement to offset the corresponding annual interest rate recognized as income. This match allows for a true picture of profitability during a one year period. If the objective is to record the “life of loan” loss as a reserve on the balance sheet, then a possible solution is to use a contra or prepaid-like account to show the offset that will be amortized over the average life of that loan pool. The important point here is to keep the income statement as what it is intended to be used for, to show profitability during a specific period of time.

For example, if you experience unusually heavy loan growth in one year and must record the entire “life of loan” losses during that one year, the losses booked will rise without the corresponding increase in income which can create severe volatility, and lead to inaccurate conclusions about profitability by readers of the financial statements. However, if those loans are a pool of mortgage loans with an average life of seven years, it is reasonable to recognize the losses over that seven year period to match the income over the same term.

**Suncoast does not support this proposal in its present form and urges the FASB to consider withdrawal.**

We appreciate the fact that FASB is attempting to improve the usefulness of financial information. However, we have real concern that this proposal would have serious unintended consequences on our economy that would ultimately adversely impact all consumers. We hope the points we raise generate questions as Suncoast looks forward to working with the FASB during our upcoming scheduled field visit.

Sincerely,

JulieRenderer, CPA
Executive Vice President/CFO