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Financial Accounting Standard Board Credit Losses Proposal File Reference No. 2012-260

As a Financial Analyst with thirty years of experience in the financial services industry and currently working for a medium sized Credit Union, I am dismayed by the Credit Losses Proposal that FASB is considering for adoption.

My main concern with your proposed rule is related to the complexity of the calculations required and the need for subjective assumptions that extend well into the future. Specifically:

- 1. The proposed CECL model requires entities to predict the extent and timing of future losses. This is extremely challenging, especially for entities with limited modeling capabilities. Attempting to predict credit loss over the life of a loan, especially a longer-termed loan such as a mortgage, with any accuracy is very difficult.
- 2. The data sets needed to provide adequate trending need to be entity specific and would be cumbersome and expensive for smaller institutions to develop. Reliance on industry-wide data sets would skew the results and may lead to quarterly adjustments in expected loss projects that would create more volatility in provision expense and earnings.
- 3. Requiring that an institution knows where we are in the economic cycle is the equivalent of looking into a crystal ball. Predicting the future only makes the calculation more subjective, and more difficult to defend if the calculation is challenged by regulators or auditors.

I urge FASB to consider either exempting small to medium sized financial institutions from this proposed rule or modifying the requirements of the calculations, especially related to predicting credit losses over the life of the loan.

Sincerely,

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