



14 May 2013

Director, FASB
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Submitted via email at: director@fasb.org

Alamo Federal Credit Union appreciates the opportunity to have feedback considered in relation to proposed changes by FASB in the accounting standards related to recognition of credit losses. Alamo FCU is representative of the majority of credit union entities in the United States with under \$50 Million in assets. Credit Unions of this size are an important part of the affordable intermediation in America and we thank you for considering our feedback and the impact this proposal may have on us.

The proposal would:

- Require unnecessary increases in the Allowance for Loan and Lease Losses (ALLL) which immediately impacts retained earnings for institutions competing in challenging times.
- Impair capital and thus the capital ratio. Barring modifications in capitalization adequacy categories, this will result in more credit unions being moved into prompt corrective action (PCA).
- Generally, the approach appears very subjective and prone to extensive assumptive modeling. My past experience at a billion dollar institution using advanced modeling leads me to believe that this does not necessarily yield more accurate credit loss predictions. With certainty it leads to (1) significantly higher ALLL modeling expenses across an organization and the financial system, (2) extensive necessary expertise on behalf of examiners and auditors to understand the modeling and the assumptive base and (3) as a result, greater opacity of financial institution balance sheets creating various unintended consequences.

For the above mentioned reasons, it is suggested that FASB consider a credit impairment approach that is in line with the proposed IASB model. Additionally, smaller credit unions, members, and investors in the global financial services system would all appreciate a solution that is simple, transparent, and easy to replicate. Without this, proper governance is difficult and expensive. I appreciate this opportunity to share my opinion on this very important systemic proposal.

Sincerely,

Max Villaronga