2012-260
Comment Letter No. 104

FIRST CLASS AMERICAN
CREDIT UNION

May 22, 2013

Financial Standards Accounting Board

Technical Director

File Reference No. 2012-260, FASB, 401 Merrit 7

P O Box 5116

Norwalk, CT 06856-5116

Dear Director:

I am writing in reference to the current proposed rule for credit losses proposal.

As a credit union professional who has been in this business for 38 years, I see no value to this proposal. While I am not a CPA, I have worked in this industry, working in collections, and in the accounting methods used to reserve for potential losses in the loan portfolio. Your proposed Current Expected Credit Losses (CECL) will have a negative effect on our industry, and has nothing to do with correcting what went wrong that caused the loan losses suffered for the past four years.

1. To recognize (expense) losses based on future losses that may or may not happen is detrimental to a credit union's financial position. To recognize a loss that may or may not happen in the future, based on factors that are not known or impossible to predict is impossible to guage. The current system is more accurate as it is based on the probability of a loss occurring rather than an obscure possibility is a more accurate reflection of a credit union's financial position.
2. To base this on the lifetime of a loan allowance loan loss on non-impaired losses will cause allowance to rise with no justification. The difficulty of trying to predict losses in the future causes greater volatility in the allowance account.
3. Attempting to recognize cash flow losses in the present day will deplete net worth, instead of when and if it occurs. Credit Unions are required to maintain 7% of capital to be considered well capitalized. Any net worth ratio below 7% fall under Prompt and Corrective Action by our regulator (Texas CU Department and National Credit Union Administration). This proposal in all probability will force a great number of credit unions into positions of being under 7% capitalized, or undercapitalized and could force some healthy credit unions into liquidation.
4. A credit union is a financial cooperative owned by all of its membership. Credit Unions only build their capital through the income statement. Credit Union's do not have the

P.O. Box 162539 Fort Worth, TX 76161-2539 • 2595 Polaris Dr. Fort Worth, TX 76137
Phone: (817) 834-9777 / 800-736-6144 • Fax: (817) 834-9770 • Teller 24: (817) 834-9760 / 800-676-7947
www.fcacu.org

ability of raising capital by simply issuing and selling more stock. A credit union's financial statement is not used for the purpose of selling stock, it is used by the Texas Credit Union Department and National Credit Union Administration. Because we only raise our capital (net worth) via growing our capital this proposal diminishes our ability to grow our capital. We are not publicly traded entities.

5. Having to recognize possible future cash flow losses in the present would require all loans to be recognized as Troubled Debt Restructuring (TDR's) loans. This by definition imposes mandatory tracking of every loan on our books, as well as other TDR requirement. Such tracking is unnecessarily burdensome.
6. Credit Union's are member owned-cooperatives. A member, or prospective member, simply purchases one share in the credit union, usually by depositing $25 into a share or savings account and they become a member owner. They have the same ownership rights as any other member, regardless of the amount of deposits they may have. All deposits are federally insured by the National Credit Union Share Insurance Fund (NCUSIF). There is no investing or purchasing of a credit union, it is a member owned financial cooperative.

For the reasons above this proposed rule should be withdrawn. If FASB is intent on going forward with this rule FASB should exempt credit unions form this rule as otherwise we are required to follow GAAP and recognize known losses.

Thank you for your consideration.

Sincerely,

Nancy M. Croix Stroud

Nancy M. Croix Stroud

President/CEO

BANK VS. CREDIT UNION
JANUARY 2013

BANKS	CREDIT UNIONS
Generate profit for stockholders. Make decisions based on what will give stockholders more profit.	Not for profit, not for charity, but for service. Without "profit motive," make decisions based on what's best for members.
Commercial businesses. Offer services to make a profit	Financial cooperatives. Members pool their savings to provide low cost loans and low-fee services to each other.
People who buy stock in the bank own shares of the business.	Each member is an equal owner.
Serve customers from the general public. Anyone can use a bank.	Esixt soley to serve their members. A person must be within the credit union's field of membership, as defined by their charter, in order to join.
The Board of Directors are paid a salary. Daily operations are performed by a paid staff.	Unpaid volunteers from the membership serve on the Board of Directors and guide the credit union. Daily operations are performed by a paid staff.
Only people who own stock can vote for the Board of Directors. The customers who use the bank don't have a say.	As owners, members elect fellow members to serve on the Board of Directors.
Income is returned to the stockholders in the form of higher dividends on their shares of stock.	Income is returned to members in the forms of better savings rates, lower loan rates, and low or no fees for services.
Like other for-profit businesses, banks must pay taxes to the governement.	Like other not-for-profit institutions, credit unions are exempt from paying federal income tax.
Deposits are federally insured up to $250,000 by the FDIC, a government agency.	Deposits are federally insured up to $250,000 by the National Credit Union Administration, a government agency. The NCUA's insurance fund is the healthiest of all federal deposit insurance funds.

When you know the differences between banks and credit unions, it's easy to see why the American consumer should have the right to choose!