

May 28, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2012-260

Dear Director:

I am writing in reference to the current proposed rule for credit losses on financial instruments. Thank you for the opportunity to comment on this proposal.

Pacific Crest Federal Credit Union is a \$145 million federally chartered credit union located in Klamath Falls, Oregon that serves 14,000 members in Oregon and Northern California. I have concerns about how the proposal, if implemented, would affect our credit union and the credit union industry. Industry experts have estimated that implementation of the proposal may increase the required allowance for loan loss reserves by two to three times current levels. For credit unions, Pacific Crest included, this would negatively affect earnings, which would result in a significant decrease in capital, triggering regulatory action if the credit union falls below the 'well-capitalized' amount of 7% net worth to total assets. To recognize and expense losses based on future losses that may or may not occur is detrimental to a credit union's financial position and could be detrimental to its viability.

Recognition of 'expected' losses over the life of the loan at the time a loan is originated presents a mismatch of loss recognition and revenues. The loss recognition at origination would be based on factors that are subjective and not within the expertise of accounting staff to accurately predict. Contrary to the proposed rule's intended purpose, financial statements would not provide financial statement users with more decision-useful information about the expected credit losses on financial assets. Financial and economic predictions are not an accurate basis for the fair reporting of a credit union's accounting records.

I am not in favor of this proposed rule and urge you to withdraw the proposal. If the proposal is not withdrawn, I ask that FASB exempt credit unions from the proposed changes based on our unique structure as not-for-profit, cooperatively owned financial institutions.

Respectfully submitted,

Kathie Philp
President/CEO
Pacific Crest Federal Credit Union