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John J. Pinto
Executive Vice President &
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May 31, 2013

Via Electronic Mail

Leslie F. Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. 2012-260, Exposure Draft, Financial Instruments – Credit Losses (Subtopic 825.15)

Dear Ms. Seidman,

We appreciate the opportunity provided by the Financial Accounting Standards Board (the “Board”) to comment on the above referenced exposure draft (the “ED”).

We believe that in applying the “current expected credit loss” (“CECL”) model described in the ED would fail to represent the reality and economics of lending activities. The CECL model results in a Day 1 impairment loss for all originated loans and many purchased financial assets. This outcome does not represent the economic reality of lending transactions. The expected credit losses determined under the CECL model will never be representative of the actual credit losses ultimately realized, resulting in a misleading measurement of financial assets at any balance sheet date. In fact, we believe that the application guidance contained in the ED related to the CECL model would almost always result in an overstatement of credit losses, particularly at loan origination/acquisition and for many subsequent periods thereafter.

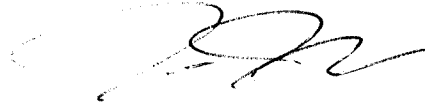
Our concerns also revolve around the way the ED changes the approach to loss recognition from an historical and possible incurred loss projection based on facts relative to the loan, to one that would require speculative forecasting on all loans based on economic cycle. Attempting to predict credit loss over the life of a loan with any accuracy upfront would be very difficult and could lead to volatility in provision expense and earnings. Predicting the future cash flow that you do not expect to collect is extremely subjective. Impairment is highly judgmental in nature, and the level of imprecision increases as the forecast period lengthens. In our opinion, the projected loss model will result in a larger, more volatile and less reliable reserve.

In addition, the ED violates one of the main principles of accounting, the matching principle. This proposal will require companies to look at the future cash flows as it relates to the recording of credit losses, but companies will not be able to recognize the future cash flows as it relates to interest income. All loans have an interest rate that compensates the lender for credit risk and, generally, the higher the credit risk, the higher the interest rate. Therefore, for those loans that are priced higher as it relates to the interest rate, the recognition of income (interest earnings) will take significantly longer than the recognition of the expense (credit losses).

Accordingly, we believe that the current proposal only adds more judgment, model risk and subjectivity to the provisioning process and that any measurement period proposed should be limited to 12 months, as life- of- loan loss predictions are extremely subjective and unreliable. As an alternative, expected losses in the current environment could be added to the incurred loss model as a qualitative factor. This should allay concerns that a modified incurred loss model would cause reserves to be too-little-too-late in future downward credit cycles.

Thank you,

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Pinto", written over a faint dotted line.

John J. Pinto