



SMW 104 FEDERAL CREDIT UNION

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Technical Director
File Reference No. 2012-260
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 2012-260
Exposure Draft – Credit Losses

Dear Sir or Madam:

Credit Unions have long been the victim of unintended consequences, suffering through well-intentioned but over-reacting regulations. I urge the FASB to consider the implications and consequences of this proposed treatment of credit losses.

Currently credit unions are required to fund their Allowance for Loan loss based on historical losses, environmental factors both internal in the credit unions field of membership and statewide and national economic factors, with analyzing real estate valuations and broken down with groups of different loan types. All of this more than adequately provides enough funds in our Allowance for Loan Loss accounts in anticipation of credit losses.

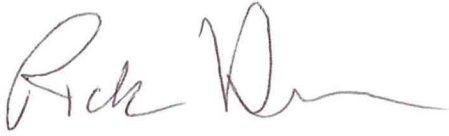
The consequences of this proposal would be:

1. The proposal would require a drastic increase in the Allowance for Loan Loss Account, which already has adequate funding to cover future loan losses. It is estimated that credit unions will be required to double or triple their funding of this account, which will come out of the Retained Earnings of the credit union. This would lead to a reduced capital ratio, which could Trigger prompt corrective action (PCA) for credit unions that currently do not have PCA concerns. In other words, over-funding the Allowance for Loan Loss account could put some credit unions out of business.
2. This proposal would require credit unions to expend extensive financial and technical resources to even begin to comply with the proposed changes. These costs will also come out of the bottom line of the credit union so it could affect the cost of credit or the pricing of saving accounts.

The costs for credit unions for credit unions to implement this proposal, particularly with respect to performing a forward-looking analysis on all financial assets subject to credit risk, far outweigh any added value.

We appreciate the opportunity to provide our comments. Should you have any questions or concerns, feel free to call me at 510-483-2946. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Hanan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rick Hanan
CEO
SMW 104 Federal Credit Union