



May 30, 2013

2012-260
Comment Letter No. 30

Technical Director
File Reference No. 2012-206
FASB, 401 Merit 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear FASB Director:

The Education Credit Union appreciates the opportunity to comment on the proposed changes by FASB as it relates to recognition of credit losses. Working in a large credit union and a smaller credit union I can identify several drawbacks that could potentially harm the largest of credit unions to the smallest credit union.

The first issue is this could possibly require an immediate increase in the Allowance for Loan and Lease Losses. This could easily double the impairment of Allowance, which would lower retained earnings. This would come at a time where many credit unions do not have a large Return on Assets (ROA), which is already hurting retained earnings. A decrease in retained earnings could possibly trigger prompt corrective action (PCA) on a number of credit union's that currently are very well capitalized.

The term "expected loss" approached would have the credit union speculate and forecast on the performance of the remaining useful life of the asset. Speculative forecasting has been on history of the portfolio, and the trends of the prior assets. With trying to predict the credit loss in the future of these assets it could result in large quarterly adjustments and more volatility provision expense and earnings.

Accounting 101 teaches about the matching principle that states that expenses related to earned revenues during an accounting period should be recognized in the same period. I believe this proposal as it relates to the recognition of credit union violates the key principle of Accounting, the matching principle. The violation comes from recognizing the expense immediately, when the revenue (or interest) will be recognized over the life of the loan.

With these factors in mind I would highly recommend that this proposal be withdrawn.

Sincerely,

A handwritten signature in cursive script that reads "Michelle Ybarra".

Michelle Ybarra
SVP/Chief Financial Officer