



September 20, 2013

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

RE: Definition of a Public Business Entity – File Reference No. 2013-310

VIA ELECTRONIC MAIL: director@fasb.org

To Whom It May Concern,

The Michigan Credit Union League (MCUL), the statewide trade association representing 98% of the credit unions located in Michigan and their 4.55 million members, appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB's) Exposure Draft to amend the Master Glossary of the *FASB Accounting Standards Codification* to include one definition of a public business entity for use in U.S. GAAP and to identify business entities (not-for profit entities (NFPs) and certain employee benefit plans) that would be excluded from the scope of the *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies* ("guide").

The MCUL was pleased to see FASB reference the unique characteristics of NFPs and how they differ from other types of private and public companies, including the specific difference attributed to a lack of shareholders. As the FASB is aware, credit unions are not-for-profit cooperative financial institutions owned by their members. Credit unions do not have shareholders and their boards of directors are comprised of volunteer members. It is also important to note that the primary external users of credit union financial reports are regulatory agencies, the National Credit Union Administration (NCUA) and state specific examination agencies.

The Credit Union industry does not interact with outside investors, and therefore many of the requirements and amendments recently proposed by the FASB will have a severely detrimental impact on credit unions, without any return positive effects related to credit unions. Therefore, the MCUL strongly agrees with the proposed amended definition to exclude not-for-profit entities from a definition of "public business entity". We strongly believe the exclusions of credit unions in particular from the definition is justified based on the different, not-for-profit organizational structure, and the uses and users of credit union financial reports. Recent FASB proposals have also included onerous and costly reporting requirements that are not pertinent to credit unions, as they are intended to assist investors of publicly traded companies.

The MCUL notes that the definition of a public business entity would be “used in determining the scope of *new* [emphasis added] accounting and reporting guidance and would identify whether the guidance would or would not apply to public business entities.” Based on this language in the Exposure Draft, the MCUL strongly encourages the exclusion of credit unions from the FASB’s proposed revisions to financial accounting for credit losses that was proposed earlier this year. As the MCUL has noted in previous communications, the financial accounting for credit losses proposal earlier this year will have the very real and unnecessary effect of threatening the stability, safety and soundness of the credit union industry. Net income would be eliminated for many credit unions in Michigan as they would struggle to fund new reserve requirements. The proposal would also cause many credit unions’ capital ratios to fall into a classification requiring Prompt Corrective Action by examiners, and would threaten the existence of small credit providers based on their ability to successfully strategize and complete net worth restoration plans.

The FASB indicates in their Exposure Draft that it was decided “that a financial institution *could* be considered for accounting and reporting alternatives in areas of accounting and reporting that are not specific to financial institutions or that are not particularly relevant to financial statement users of financial institutions.” It was also noted by FASB in their Exposure Draft that “the needs and investment strategies of financial statement users of financial institutions, may differ from the needs of most other users of private company financial statements and, therefore, may require separate consideration depending on the accounting or reporting difference under consideration.” The MCUL again urges the FASB to consider the cost-benefit analysis of the imposition of accounting and reporting requirements on credit unions that lack any substantive rationale and are geared to assist the outside investment community. The MCUL further encourages the FASB to work with the NCUA prior to imposing financial reporting and accounting requirements, to provide consistency and justification based on the actual needs of the user with regards to credit union financial statements.

FASB is also seeking comment on whether a second phase of the project should be undertaken at a later date, to examine whether to amend existing U.S. GAAP guidance with a new definition resulting from this proposed update. The MCUL believes this review would reveal additional efficiencies for credit unions, further reducing the complexity and costs associated with the preparation of financial statements, and is therefore generally supportive of this proposition.

Conclusion

As indicated in FASB’s cost-benefit analysis, “[t]he objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit and similar resource allocation decisions.” FASB goes on to state that the benefits of providing information for that purpose should justify the related costs. As the MCUL has outlined in this communication, we appreciate the FASB’s consideration of the unique

characteristics and business model of credit unions as not-for-profit cooperatives that have no access to capital beyond retained earnings, and that do not have outside investors. The objective of the financial reporting requirements clearly differs for not-for-profit entities such as credit unions and the MCUL is extremely supportive of the proposal to exclude them from the definition of public business entity, which we anticipate would alleviate unnecessary financial reporting and disclosure requirements that add little to no value for the primary users of credit union financial statements.

Sincerely,

A handwritten signature in black ink, appearing to be 'K. Ross', written in a cursive style.

Ken Ross
Executive Vice President & Chief Operating Officer