



**National Association of Federal Credit Unions**

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LETTER OF COMMENT NO.

26

RE: Comments on Proposed Changes to Oversight, Structure, and Operations of the  
FAF, FASB, and GASB

Dear Sir or Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the request for comments on proposed changes to oversight, structure, and operations of the Financial Accounting Foundation (FAF), Financial Accounting Standards Board (FASB) and Government Accounting Standards Board (GASB).

The FAF Board of Trustees, in its capacity as the body that oversees the structure and governance of the FASB and GASB, has proposed changes that will alter the size and composition of the FASB, while also altering the manner in which agenda are set for FASB. NAFCU has significant concerns that the proposed changes will unintentionally result in further discounting and diminishing the roles of mutual entities, including credit unions, in accounting standards setting process. Specifically, we are concerned that reduction of the size of the FASB from seven to five, the proposed composition of the FASB, and the proposed grant of authority to the Chairman to set the agenda of the FASB, will negatively impact credit union interests and are inconsistent with the goal to consider and represent concerns of all affected parties.

**The Size of the FASB Should Not Be Decreased**

The FAF Board of Trustees proposes that the size of the FASB be decreased from seven to five. The stated reason for the proposed change is that a five member board will be "more nimble and responsive to ... demands," and such characteristics are important with the continuing expansion of the global financial markets and the move toward a single set of global accounting standards.

NAFCU agrees that FASB should efficiently and effectively respond to the fast changing global financial markets. However, we do not believe the size of the FASB affects whether it is

able to be “nimble and responsive.” As we have seen with the actions of significantly larger entities, such as the Federal Reserve System’s Board of Governors, bodies with large numbers can be just as nimble as those with lesser numbers. While we acknowledge that it has been challenging for FASB to respond to demands quickly and efficiently, we do not agree with the FAF Board of Trustees that reducing the size of the FASB will make it any more responsive than it has in the past.

### **Proposed Composition of FASB**

The FAF Board of Trustees proposes that the composition of the FASB be changed. Presently, the FASB is comprised of three members from public accounting, two from industry or preparer community, one from the user or investor community and one from the academic community. The proposed five-member FASB would be made up of one member with primary experience in the following areas: auditor, preparer, academic and financial statement user. The fifth member would be an at large member selected by the FAF Board of Trustees.

#### *Further Dilution of Many of FASB’s Constituents’ Voices*

NAFCU believes that the proposed composition of the FASB will not adequately address the accounting concerns of many FASB constituents. If coupled with the proposed reduction in the size, we are concerned that the proposed composition of the Board will perpetuate the lack of genuine consideration of the concerns that credit unions and other mutual entities have and will continue to have as FASB continues to move towards a single set of global accounting standards.

NAFCU understands and appreciates that the FAF and the FASB will continue to seek public input as part of the standard setting process and to consider the perspectives of all parties affected by the accounting standards it sets. We do not believe, however, that the “public comment” process is sufficient to address a growing concern among credit unions that FASB has not adequately considered credit unions’ positions in developing and establishing standards.

#### *FASB Should Include a Credit Union Representative*

Credit unions are cooperative associations owned by their members. Members are provided dividends, offered products and services at lower costs, and receive other benefits from their credit unions. Credit unions are also among the most regulated, if not the most regulated, entities. This is arguably both as a result of their structure (i.e., member ownership) and their business (financial services).

Their cooperative structure and the manner in which they provide financial services to their members pose unique accounting challenges that neither public entities nor most other non-public entities encounter. On the other hand, as financial institutions, credit unions apply many accounting standards and principles that other financial institutions apply. Also, as mutual entities, they apply accounting standards and principles that most cooperatives and mutual entities apply.

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The characteristics of credit unions has led NAFCU to believe that a representative from the credit union community, or one whose professional experience is strongly entrenched with credit unions, should be on the FASB. As such, we urge the FAF Board of Trustees to change the proposed action related to the composition of the FASB to include a seat for a qualified person from the credit union industry.

### **Setting the FASB Technical Agenda**

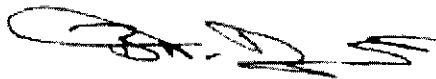
The FAF Board of Trustees proposes that the FASB Chair is granted with decision-making authority to set FASB technical agenda. The stated reason is the same as that for the proposal to reduce the size of the FASB - the need for FASB to be more nimble and efficient.

Similar to our position regarding the connection between the size of a governing body and its ability or inability to move nimbly and efficiently, we are not convinced that reducing the number of individuals with authority to set FASB technical agenda will translate into a more nimble and efficient body. Further, we are concerned that many FASB constituents, including credit unions, will encounter significant difficulties in persuading FASB to address their accounting concerns if just one person has the decision-making authority to set technical agenda.

NAFCU, instead, recommends that the decision-making authority to set technical agenda be shared among the FASB members. In particular, we believe that if more than one member seeks to have a particular item on the technical agenda, such item should be placed on the agenda for discussion and consideration by the entire FASB. We believe that the ability of FASB members, as representatives from the wide array of FASB constituents, to play an active role in setting the technical agenda will help ensure that more concerns and issues are fully vetted. Such system will enable FASB to continue to play a critical role in the drive toward a single set of global accounting standards.

NAFCU appreciates this opportunity to share its comments on these proposed changes. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



B. Dan Berger  
Senior Vice President of Government Affairs  
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