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April 4, 2013

Submitted via email: director@fasb.org

FASB Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5166

Re: File Reference No. 2012-260

Proposed Accounting Standards Update, Financial Instruments—Credit Losses (Subtopic 825-15)

Dear Director,

On behalf of the management and Board of Directors of Corning Credit Union, please accept this as input to the above noted FASB proposal relating to credit losses associated with financial instruments. We are a retail credit union providing financial and investment services to over 85,000 members and manage a balance sheet of \$1 billion in assets. I am a CPA who has practiced public accounting for 5 years and then, for the past 20 years, has provided financial management to Corning Credit Union, currently serving as the chief financial officer.

Although I appreciate the FASB's constant monitoring of the accounting standards to ensure that financial statements and the related notes to those statements are meaningful and relevant, I feel this proposal does not benefit the users of the financial statements as it creates additional complications and inconsistencies with basic accounting principles. I feel it creates more problems than it solves and would make financial statements less relevant and useful. In my opinion, the ASU's central principle—the measurement of all future cash flows is flawed for reasons discussed below, and it should be withdrawn or substantially modified.

The proposal indicates that the current “incurred loss” model improperly delayed the credit loss recognition during the recent financial crisis. It is easy for us all now to look back to the global economic crisis that occurred during the Great Recession of 2008 and say that the financial statements and related disclosures were not accurate. Looking into the future immediately prior to this great recession would not have yielded any additional information that would have assisted in the determination of credit loss exposure. The markets were appealing, real estate values were soaring, interest rates were reasonable, and numerous government agencies were not sending out any negative warning signs. Now we are dealing with the aftershocks of this huge disaster. Unemployment spiked and continues to be excessive, real estate values have declined, major institutions were closed, and interest rates are at all-time lows. The effects of this last recession continue to drag on a lot longer than anyone would have ever imagined. I disagree that adopting a more aggressive, forward looking “expected loss” model would improve the credibility and reliability of financial statements. I feel that is an inherently flawed request. Furthermore, the diversity of results that different preparers will generate under the ASU would be too great to make financial statements comparable or reliable.

In addition, the acceleration of the recognition of credit losses would artificially deplete a financial institution's capital position. Institutions would be required to recognize substantial credit losses up front even though the revenue to offset them may not occur for many years. Following the matching principle, it would make sense to recognize losses where an event has likely occurred that will lead to an eventual loss. Trying to extrapolate losses into the distant future would turn financial statements into subjective projections which is not an appropriate use. By including future credit losses, the carrying value of financial assets will no longer follow the historical cost principle. This will distort income across reporting periods and degrade the decision-usefulness of financial statements.

The accounting standards related to credit loss recognition and reporting continue to develop. From FAS 5 related to loss contingencies, to FAS 114 related to loan impairment, to TDR accounting, to the 2011 expanded footnote requirements. All of these changes were necessary and required us to look at things that we know related to the industry or the individual loan relationship. They do not require us to predict the future.

The proposal also would require the estimate of credit losses to include reasonable and supportable forecasts that affect the expected collectability of the assets remaining contractual cash flows. We need to leave economists out of this determination of future credit losses. They all have varying and unpredictable opinions, but they cannot argue past events and current known events.

In general, I do not see a benefit to members or credit union operations from this proposed rule and strongly recommend that the FASB withdraw or substantially modify the ASU. The most significant among these shortcomings are the abandonment of the matching, objectivity and historical cost principles. Thank you in advance for consideration of these changes. If you would like to discuss any of the points I have raised, please feel free to contact me at 607 962 3144.

Sincerely,



MaryBeth Drake
Vice President and Chief Financial Officer

CC: Gary Grinnell, Chief Executive Officer