

Technical Director
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On January 15, 2013 I sent to you my comment letter on CREDIT LOSSES. This letter is to be added to those comments in response to the FASB Staff Document issued on March 25, 2013. The document is an effort to answer Frequently Asked Questions about the ED.

In answer to question #3, a section entitled "Conceptual Reasons" is included. Later in the document is a section entitled "Other Alternatives Considered." I found nothing in the "Conceptual Reasons" that was CONCEPTUAL! I expected some references and discussions of what is in the FASB's Conceptual Statements in this section.

In the section "Other Alternatives Considered" I expected a discussion of the use of Fair Value measurements as an alternative considered. There is NO such discussion!

I **challenge** the Board and Staff to evaluate the proposed Expected Credit Loss calculation to the use of a Fair Value measurement to reflect forward looking information in the measurement of credit losses. The evaluation should be done using the Concept Statement #8 discussion of what constitutes useful financial information.

Another surprise from reading the Q&As is the Primary role of historical loss experience in making the estimate of credit losses in the proposed Expected Credit Loss calculation. I did not find this role in the proposals in the ED or in the ED's Basis for Conclusions. Based on the description of the Expected Credit Loss calculation in the staff document, I am not sure if forward looking information is a requirement of the calculation or an option that can be used or not.

After reading the Q&As and considering the ED proposals in more depth, I support retaining the Incurred Loss approach for recognizing credit losses if a Fair Value measurement is not used.

Please contact me at ewtrott@gmail.com if you would like to discuss.

Edward W. Trott