March 2, 2012

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

RE: RIN 3133–AE01

Dear Ms. Rupp:

On behalf of the Credit Union Association of New York (the Association), I am writing this letter in support of NCUA's proposal to clarify the proper accounting obligations of credit unions with regard to Troubled Debt Restructurings (TDRs). The proposed changes will aid credit unions and their members as our industry continues to assist those harmed by the financial downturn consistent with the safety and soundness of its institutions.

The most important aspect of this proposal is, of course, its provision to allow credit unions to immediately recognize a loan according to the modified terms of the lending contract as opposed to the existing requirement imposing a six-month lag for such recognition. The existing accounting treatment means, among other things, that such loans must be treated as impaired loans long after the impairment has been remedied; overall delinquency does not decline for six months; and credit unions have the bookkeeping burden of tracking these loans. It simply makes no sense to prohibit credit unions from accurately reflecting the status and value of their loan portfolio, particularly when doing so provides incentives for credit unions to engage in Troubled Debt Restructurings.

The ultimate effectiveness of this regulation would be greatly improved if the preamble to the promulgated regulation and IRPS included a more detailed explanation of why this proposal is consistent with existing GAAP requirements. NCUA is in the best position to provide a detailed explanation to accounting practitioners as to why the proposed treatment of these loans is consistent with existing accounting standards. Since the vast majority of credit unions must comply with GAAP irrespective of NCUA's interpretive guidance, it is crucial that NCUA provide credit unions the means to explain to their accountants why this policy is appropriate. The preamble is the best place to do this.

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A second aspect of this proposal which could be improved relates to its treatment of Member Business Loans in the IRPS. Credit unions would continue to have to treat TDR's under previous lending terms for a "sustained period" of at least six months following restructuring. Many of the same policy considerations that led NCUA to propose modifying its treatment of TDRs for natural members also apply to MBLs. Most importantly, the severity of the economic downturn has made it increasingly difficult for even well-managed small businesses to survive. When a credit union modifies a loan to a business it is providing a lifeline to the company by creating a payment plan which better reflects existing economic realities. The six-month delay before recognizing the new loan terms effectively diminishes the benefit to the credit union of providing these restructurings. Furthermore, from an accounting standpoint there is little distinction between a natural person TDR and a Member Business Loan. In both cases, credit union policy should only allow restructuring to occur when it reasonably believes the modified loan can be repaid.

As you are aware, credit unions are being deluged with new regulatory requirements and proposals. Consequently, the Association believes that the 30 day comment period should only be used in narrow circumstances. This is one of those circumstances. Credit unions and their members need guidance and appropriate incentives to provide loan modifications as quickly as possible. However, this subtle but important change will take time for some credit unions to implement, therefore, while it should take effect as quickly as possible, credit unions should be given at least a year to comply with its provisions.

Sincerely,

William Mellin
President and CEO

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