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December 8, 2006

LETTER OF COMMENT NO. 6

Larry Smith
Director of Technical Application & Implementation Activities
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed Issue B40

Dear Mr. Smith:

The Independent Community Bankers of America[1] welcomes the opportunity to comment on the Financial Accounting Standards Board's proposed Statement 133 Implementation Issue that clarifies that a securitized interest in pre-payable financial assets would not be subject to the conditions in paragraph 13(b) of Statement 133 if it meets specified criteria.

ICBA supports the FASB's conclusion regarding the issue which would provide a narrow scope exception from paragraph 13(b) of Statement 133 for securitized interests that contain **only** an embedded derivative that is tied to the prepayment risk of the underlying pre-payable financial assets and that meets certain criteria:

- The right to accelerate the settlement of the securitized interest cannot be controlled by the investor;

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[1] *The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 265,000 Americans, ICBA members hold more than $876 billion in assets $692 billion in deposits, and more than $589 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

- The underlying financial assets do not contain an embedded derivative that requires bifurcation; and
- The securitized interest itself does not contain an embedded derivative (including an interest rate related derivative) for which bifurcation would be required other than an embedded derivative that results solely from the embedded call options in the underlying financial assets.

FASB proposed that investments such as Guaranteed Single-Class Mortgage Pass-through securities, Securitization Trusts that include a freestanding derivative, Sequential-Pay Collateralized Mortgage Obligations (CMO) and Planned Amortization Class (PAC)/Companion CMOs, investments often held by community banks, be exempted. ICBA agrees with FASB that embedded derivatives contained in the securities, such as the option for a borrower to prepay his or her mortgage, should not need to be separately accounted for in accordance with Statement 133.

ICBA appreciates the opportunity to comment on this issue. If you wish to discuss our comments further, please contact the undersigned at 202-659-8111 or email ann.grochala@icba.org.

Sincerely

Ann M. Grochala
Director, Lending and Accounting Policy

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