

August 4, 2006

Attention: Director

Financial Accounting Standards Board

401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via email: director@fasb.org

Re: Emerging Issues Task Force Draft Abstract, "Accounting for Deferred

Compensation and Postretirement Benefit Aspects of Endorsement Split-dollar Life

LETTER OF COMMENT NO.

Insurance Agreements" (EITF Issue 06-4)

File Reference No. EITF0604

Dear Sir or Madam:

America's Community Bankers (ACB)¹ is pleased to comment on the draft abstract for EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-dollar Life Insurance Agreements" issued by the Emerging Issues Task Force (EITF) on July 6, 2006. The draft reflects the EITF's discussions on the issue of whether the postretirement benefit associated with an endorsement split-dollar life insurance arrangement is effectively settled upon entering into such an agreement. The tentative conclusion reached by the EITF is that such a liability has not been effectively settled and must therefore be booked along with the life insurance asset.

ACB Position

ACB is aware that with regard to the accounting treatment of split-dollar life insurance agreements, divergent accounting practices are common amongst auditors of policy holders. We applaud the efforts of the EITF in addressing this confusing issue in order to produce more clear and consistent application of accounting practices across all audited institutions.

¹ America's Community Bankers is the national trade association committed to shaping the future of banking by being the innovative industry leader strengthening the competitive position of community banks. To learn more about ACB, visit www.AmericasCommunityBankers.com.

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However, ACB opposes the liability designation for split dollar life insurance agreements because these insurance contracts effectively transfer the primary obligation for payment of benefits from the employer to the insurance company. The absence of a liability for the employer is specifically noted in the contract for these insurance arrangements. If a liability designation is imposed by FASB, we support a longer transition period than is allowable with the current proposed effective date.

Liability Recognition

Since the EITF added split-dollar life insurance arrangements to its agenda, ACB has received a great deal of correspondence from several of our members on the issue of liability recognition for such arrangements. Many community banks that have split-dollar life insurance policies on their books have received conflicting instructions from their auditors regarding whether or not to book a liability for these products. The majority of the feedback we have received has been from those banks whose auditors did not instruct them to book a liability for such holdings. If the EITF's tentative conclusion is ratified by the Financial Accounting Standards Board (FASB), these bankers will be faced with a potentially large negative charge to their statements of financial position which will negatively impact not only the profit and loss of the bank, but also their overall capital position.

The EITF has discussed this issue during numerous meetings, and ACB notes that, this tentative consensus was not arrived at without a great deal of dissension among EITF members. As a representative for these community banks, ACB cannot support a decision by the EITF that would cause such a great deal of harm to our members, especially when agreement even among the decision making body is not firm.

ACB believes that the argument expressed by EITF members opposing this liability designation is the correct one. They concluded that these insurance contracts effectively transfer the primary obligation for payment of benefits from the employer to the insurance company and does not result in a meaningful financial liability for the employer. In addition, those opposing the designation argued against such liability recognition because they felt an employer should not have to record a liability for an amount in which cash will never be expended and then be forced to ultimately reverse that amount as a gain upon the death of the insured. ACB believes that this argument is the most sound of those voiced during the EITF meetings.

Effective Date

If the current tentative consensus opinion is ratified during the EITF's September meeting, ACB strongly urges the EITF to allow a longer period for transition to the new accounting practice. As mentioned, ACB has numerous members that have voiced their concern regarding the sizable impact such a change in practice will have on their statements of financial condition. We believe such a change should be given a greater amount of time than the proposed December 15, 2006 effect date. At minimum, we request an extra year for implementation.

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In addition, if the current tentative consensus opinion is ratified, ACB would support a provision that would allow current holders of split-dollar life insurance agreements that do not currently recognize a liability for such agreements and contracted prior to the release of the draft abstract (July 6, 2006) to remain under their current accounting treatment for a reasonable period of time. We feel this would allow such policy holders to reorganize their holdings if a liability recognition would make holding such agreements financially irresponsible for the policy holder.

Conclusion

ACB urges the EITF to reconsider their consensus on split-dollar life insurance agreements during its upcoming meeting in September and reflect on the comments received from the industry. As has been mentioned in previous EITF meetings, we would encourage the EITF to pass this issue along to the full FASB for a decision if a unified voice from the EITF cannot be achieved.

ACB appreciates the opportunity to comment on this important matter. If you have any questions, please contact the undersigned at (202) 857-3158 or via email at jgoff@acbankers.org or Robert Davis at (202) 857-5088 or via email at rdavis@acbankers.org.

Sincerely,

Jodie G. Goff

J. H. Yoff

Manager - Accounting and Financial Management Policy