

August 25, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 301 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: No. 1700-100 Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Dear Mr. Golden:

The Louisiana Bankers Association (LBA) appreciates the opportunity to comment on the exposure draft: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ED). LBA brings together banks and thrifts, in Louisiana, of all sizes and charters into one association.

We cannot support the issuance of this new accounting standard at this time. The timing of the ED as well as the relevance of the required information cause serious concerns to bankers. Most bankers willingly provide similar forms of supplemental credit loss information to directors and investors and, therefore, feel that such a proposal to standardize disclosure is unnecessary and may even cause confusion in comparing credit loss experience from company to company. We also have concerns regarding the confidentiality of some of the information as they relate to smaller, community-based institutions.

Because of these concerns, we recommend that a more thoughtful and open process be started, which includes specific outreach to banks that field questions on disclosures on a regular basis through earnings announcement calls, current disclosers in the quarterly and annual SEC filings, and in follow-up inquiries by investors. As a result of this process, if a new accounting standard is considered necessary, we believe bankers can determine and provide all the relevant information in an efficient manner.

The ED proposes an effective date, for practical purposes, of the year ending December 31, 2009. Upon approval of the ED, we expect that entities will have approximately three months to implement processes to provide this information. We believe this cannot be effectively done in a controlled environment that would be acceptable for Sarbanes-Oxley (SOX) requirements until year end 2010 for the following reasons:

- Systems currently cannot provide this information in an acceptably efficient manner. While
 some of this information is indeed reviewed currently by management, the information is often
 derived through cumbersome manual processes that would require significant revision for
 external reporting purposes to comply with SOX requirements, if the information is included in
 the notes to the financial statements. Issues identified in current systems commonly used in the
 banking industry cause the advance time needed to perform the required changes to be six
 months to two years.
- SOX requirements must be designed and implemented within this short time frame. It must be pointed out that many smaller banks are implementing SOX requirements for the first time during this current year end. To add requirements at this time will over-burden such financial institutions, though larger organizations will also feel the strain.
- Many organizations that will be implementing the recently-issued FASB Statement No. 167 will
 be consolidating more variable interest entities as of January 1, 2010. For these companies,
 process must be implemented to identify and analyze allowances for credit losses for the assets
 of the many different entities that will now require consolidation. For implementation effort
 purposes, the ED is piling on requirements at the very same date. These additional processes
 cannot be expected to be ready in such a short time frame.

Bankers understand the desire for more insight into the development of credit loss reserves. However, the relevance of the information required is put into questions for the following reasons:

• The effects of FASB Statement 141 (R) (on business combinations) and AICPA Statement of Position No. 03-3 (on purchases of credit-impaired loans and securities) are making credit loss reserves a moving target that is very confusing to users of financial statements. Since both of these statements require previously recorded reserves to be eliminated (in essence, the loans are recorded at fair value as of the date of the transaction), users will be confused over how the disclosures under the ED and FAS 141 (R)/SOP 03-3 will relate to each other, as well as how they compare from year to year.

For example, loans having the very same credit profile will likely have significantly different reserves attached to them, depending on when they were acquired. SOP 03-3 also puts into question the consistency of the definitions of terms, such as "nonaccrual", "delinquent" and "impaired", since these terms may take on "accounting" meanings that vary from their "regulatory" or "contractual" connotation. While this would be explained, it does not make the tables any clearer for the financial statement user.

With the increase in banking mergers expected over the next few years (and resulting application of 141R/SOP 03-3), such confusion will only accelerate, and the information required by these disclosures will be increasingly irrelevant.

• The current financial instruments project is expected to significantly change the scope as to which instruments will utilize allowances, as well as how credit loss allowances are calculated. Therefore, it is likely such disclosures will soon be outdated and require revision soon after implementation. Given the changes expected, the confusion just noted, along with the current estimates of the required systems modifications required for this ED, the benefits of requiring such information do not appear to outweigh the costs.

- Details noted in the ED are overly prescriptive. We fear that the schedules, for example, while only shown as examples, will become a required, standardized format. Such standardized formats will often represent insufficient information as to how the company determines its allowances. An example is the requirement to list the carrying amount of receivables that are past due 90 days or more, but are not impaired and interest is still accruing. If management feels that the economic environment warrants that number of days to be 60 or 120, the 90-day amount is rendered meaningless.
- Fair value disclosures are irrelevant to the allowance for credit losses. They are not normally used by management, and fair values often contain liquidity discounts that do not reflect the actual losses expected. Because of the unique relationship a borrower often has with her or his bank, a loan's market value normally ignores inside information the lender maintains.

For smaller institutions, confidentiality may be put into questions. In many local community banks, the proposed level of detail may point to allowances on specific companies (or industries) that, if made public, put the borrowers at a significant disadvantage. For example, the clientele at many of these banks may be locally well-known. Allowances that point to unusually large losses can trigger undue conjecture among the borrower's customers.

Thank you for your attention.

Sincerely,

Robert T. Taylor

Chief Executive Officer