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MEMBER FDIC

October 17, 2013

Mr. Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update: Financial Instruments—Credit Losses

Dear Mr. Golden:

In reading and understanding the proposed accounting standards update on impairment for loans and securities currently under deliberation by the FASB, it is apparent to me that the proposers are not very familiar with the community banking model. I am writing to you today to express serious concerns regarding the proposals.

In a study performed in December, 2012, the FDIC defined "community" banks and "non-community" banks. I suggest that your proposal best suits the "non-community" banks, not "community" banks. Of the approximately 7,000 banks in the U. S., the study identified about 6,500 as "community" banks. While that sector makes up 92% of the number of banks they account for approximately 14% of the banking assets.

My community bank, along with thousands of others like mine throughout the United States, is a small, relationship-based institution that serves the local community through customized lending that is tailored to specific customer needs. I lend in my community based on relationships I have built with my customers over many years. The proposed expected credit loss model, with its reliance on complex modeling techniques and front loading impact on loan loss provisioning, is simply the wrong approach to properly providing for future credit losses.

My bank receives examinations from the state and FDIC every 12-18 months. The field examiners look at my customers' individual loan files to make sure that the loan is safe and sound. They do not ask to look at a complex system of computer models. I know my customers…who are not numbers that are part of a model.

I am asking you today to adopt the alternative proposal put forth by the Independent Community Bankers of America. That proposal relies on historical loss observations for similar assets as the primary driver for initially building the loan loss reserve. As loans and securities become impaired where a loss is probable, my institution would be allowed to

increase the reserve based on a specific measurement of impairment considering the value of all relevant loss mitigation alternatives. ICBA's alternative proposal properly builds the necessary allowance in a ratable fashion that matches the credit risks inherent in the financial instrument with its earning potential. Additionally, reserves are recognized sooner in the credit cycle, which meets FASB's objective in reforming the shortfalls exposed during the recent credit crisis. Most importantly, the alternative proposal removes the day-one-loss concept from the equation, a provision that would greatly harm community banks nationwide.

I encourage you to reach out to me or other community bankers to get a better understanding of the differences between "community" and "non-community" bank models. I am confident that you will then understand a need for separate proposals. If you have any questions or would like additional information, please do not hesitate to contact me at (505) 837-9516 or rshettlesworth@mainbank.com.

Respectfully,

Ronald J. Shettlesworth
President & CEO
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