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October 28, 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:

My name is Richard Hawthorne and I am Director of Marcus & Millichap, Note Advisory Services. I am writing to you today in opposition of the ICBAs position of the proposed accounting standards update on impairment for loans and securities currently under deliberation by the FASB. Community banks throughout the United States must adequately reserve against potential losses (ALLL) which is a fundamental cornerstone to the financial health and stability of these institutions. Community banks are generally small, relationship-based institutions that serve the local community through customized lending that is tailored to specific customer needs. The proposed expected credit loss model, with its reliance on sound modeling techniques and appropriate loan loss provisioning is the proper approach to provide for the future creditworthiness of Community banks and will allow Community banks to achieve sustainable growth with measured risk in both loan originations and the credit administration in their lending.

The need to overhaul the current incurred loss model is imperative. Had Community banks properly reserved for unexpected and expected credit losses in the credit cycle, many of the strains placed on Community banks would have been easily avoided and many Community bank failures would have been avoided. This is why I am asking you today to adopt the Proposed Accounting Standards Update: Financial Instruments – Credit Losses. This will avoid "Zombie Banks" who are unable to transact business, as a normal course of business; and, avoid taxpayer money having to absorb losses from imprudent lending practices.

The ICBA proposal as set forth is simply self-serving. As loans and securities become impaired where a loss is probable, institutions must have increased reserves based on a realistic measurement of impairment considering the true value of all relevant loss mitigation alternatives. The ICBA's alternative proposal DOES NOT properly build the necessary allowance in a

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prudent fashion that matches the credit risks inherent in the financial instrument with its earning potential.

Additionally, I believe that the easing of FASB "Mark-To-Market" rule must not continue to be eased; rather, the real market value must be realized. This revised "Mark-To-Market" provision has greatly harmed Community banks, shareholders and all taxpayers nationwide.

Thank you for taking the time to consider my concerns. If you have any questions or would like additional information, please do not hesitate to contact me at (949) 419-3207 or richard.hawthorne@marcusmillichap.com .

Sincerely,
MARCUS & MILLICHAP, Note Advisory Services

Richard Hawthorne
Director