INDEPENDENT COMMUNITY BANKERS of AMERICA

August 26, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1700-100

Dear Mr. Golden:

The Independent Community Bankers of America[1] (ICBA) welcomes the opportunity to comment on the proposed Statement of Financial Accounting Standards, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.*

ICBA strongly opposes the proposed statement and urges FASB not to go forward with it in its current form. ICBA is greatly concerned about the level of new detail that the proposal would require banks to disclose, the cost to develop the new systems to gather and report it in the form FASB proposes and train staff to the new systems, the potential misleading information that it will provide due to lack of comparability between institutions, and the level of information that may be made public on a loan-by-loan basis which is of particular concern to smaller banks. ICBA is very concerned about the significant burdens the proposed statement would place on smaller institutions, including privately held institutions that choose, but are not required, to have audited statements. Finally, the proposed effective date for the new disclosures, for financial statements beginning with the first reporting period after December 15, 2009, is unrealistic.

ICBA is greatly concerned that through its proposal FASB is dictating how financial institution management should develop risk management monitoring processes and tools rather than focusing on reporting financial information that is appropriate for financial

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[1] *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. 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 20,000 locations nationwide and employing over 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

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statement users. The Exposure Draft contains tabular disclosure data examples than call for extremely detailed schedules and for data that is often times different that that currently required by bank regulators to be filed in quarterly Call Reports and Thrift Financial Reports. We believe that banking regulators are in a far better position to determine what data should be reported (data already publicly available) in order to provide a clear picture of credit quality than accounting standards setters. While FASB offers the tabular disclosures contained in Appendix A as examples, we are concerned that these examples will be adopted by auditors as requirements.

Because the board and management of financial institutions use different credit risk grading systems, conducting a true comparison of credit exposure between institutions will be quite difficult and we are concerned that requiring such disclosures will only confuse and mislead financial statement users. The FASB states that management should use judgment in determining the appropriate credit quality indicators for each class of financing receivables which may include metrics such as internal credit risk grades, loan-to-value ratios, collateral, collection experience, or other internal metrics and we agree. Boards and management of financial institutions need flexibility in determining what risk measurements are most appropriate for various types of loans that they hold.

ICBA is also concerned the level of detail in the proposed disclosures may inappropriately reveal so much information about individual loans held by community banks that customers will be easily identifiable and customer relationships may be compromised as a result of the breach of confidentiality of affected borrowers. Large financial institutions that operate over wide geographic areas will be able to better protect data on individual loans required by the proposed disclosures than will community banks operating in a limited geographic area with relatively few loans to report. Thus, a community bank with only one or two past due commercial loans may find it must disclose so much financial information that it damages the reputation of its customer.

Implementing the proposed disclosures will require significant system changes which will be costly and burdensome, particularly for smaller community banks. ICBA has heard from some privately held community banks that voluntarily obtain independent audits that they may stop this practice because their shareholders already receive sufficient information about loan credit quality and the cost of preparing the proposed disclosures will far outweigh any benefits.

The proposed implementation date is unrealistic, given the level of information system changes that will be required to gather the information to fully comply with the disclosure requirements. It will be particularly difficult for many community banks to implement the new disclosures in the proposed timeframe given the requirements of the Sarbanes-Oxley Act of 2002.

ICBA supports financial statement transparency and disclosures that truly help financial statement users. We urge FASB not to go forward with this Exposure Draft but work with the financial industry to develop a more reasonable approach.

We appreciate the opportunity to comment on the Exposure Draft. If you have any questions about our views, I may be reached by email at ann.grochala@icba.org or by phone at 202-659-8111.

Sincerely,

/s/
Ann M. Grochala
Vice President, Lending and Accounting Policy