April 22, 2016

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

Re:  Application of the Current Expected Credit Loss Model to Community Banks

Dear Mr. Golden:

The Independent Community Bankers of America (ICBA)\(^1\) would like to express its appreciation to the Financial Accounting Standards Board (FASB) for addressing community bank concerns about the impact of the FASB loan impairment project and the introduction of the current expected credit loss model (CECL). Since the community financial institution roundtable earlier this year, members of the FASB board and staff have devoted a great deal of attention to understanding community bank concerns; namely the implementation of a standard that was originally drafted to address large bank financial reporting and accountability. Community bankers, who until recently were facing the many challenges of adopting such a punitive standard, have gained a new level of comfort with the constructive changes that have been discussed, particularly those vocalized in the recent Transition Resource Group (TRG) meeting to discuss CECL.

We believe FASB’s willingness to sit down with community bankers and thoughtfully consider substantive changes to the CECL framework indicates that you now recognize and understand the importance of making generally accepted accounting principles work for entities of various sizes. Subsequent statements by the regulatory agencies have also provided greater assurance of the intent to implement these changes in a reasonable and scalable manner for community banks without the need for complex and expensive modeling systems.

\(^1\) The Independent Community Bankers of America®, the nation’s voice for more than 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 52,000 locations nationwide, community banks employ 700,000 Americans, hold $3.6 trillion in assets, $2.9 trillion in deposits, and $2.4 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA’s website at www.icba.org.

The Nation’s Voice for Community Banks.

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While the work completed to date reflects meaningful changes to make the standard more flexible and scalable for community banks, ICBA believes that more must be done, particularly in the area of disclosures. Like the calculation methodologies originally proposed surrounding the provisioning for expected credit losses, the accompanying financial statement disclosures will prove challenging to community banks that do not currently possess the extensive resources and reporting tools that their larger counterparts are able to maintain. ICBA requests that FASB continue to work with community bankers to ensure that financial statement disclosures are both meaningful and straightforward and that they don’t become so complex that they cease to effectively inform the stakeholder about the community bank’s financial condition.

Once again, ICBA appreciates your focused time and effort to effectively address community bank concerns with CECL. It is your attention to understanding the concerns of all stakeholders that has allowed for a productive conversation with our members on the purpose of the allowance for credit losses and the changes needed to provide relevant and meaningful financial statements for the end user. ICBA stands ready to continue to assist FASB in any further activities that may be needed to finalize CECL. If you have any questions or would like additional information, please do not hesitate to contact me.

Sincerely,

Camden R. Fine
President and CEO