



1303 J Street, Suite 600, Sacramento, CA 95814-2939 T: 916/438-4400 F: 916/441-5756

August 24, 2009

Via email: director@fasb.org
Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
301 Merritt 7 P.O. Box 5116
Norwalk, CT 06856-5116

Re: No. 1700-100 Disclosures; Credit Quality of Financing Receivables and the Allowance for Credit Losses

Dear Mr. Golden:

The California Bankers Association (CBA) appreciates the opportunity to provide comments on the exposure draft: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (hereafter, "Proposal"). CBA is a non-profit corporation established in 1891 and represents most of the FDIC-insured depository financial institutions doing business in California. CBA has previously offered comments on accounting standards related to impaired credit. We support standards that promote transparency to investors and other users of financial data. We are, however, concerned about the breadth of the Proposal as well as the aggressive timing for implementation.

The Proposal substantially increases the volume of disclosures with respect to the allowance for credit losses on financing receivables. A creditor is required to disclose a description, by portfolio segment, of the accounting policies and methodology used to estimate the allowance; a description of management's policy for charging off uncollectible financing receivables; the activity in the total allowance for credit losses by portfolio segment; and the activity in the financing receivables related to the allowance.

Creditors must disclose management's policy for determining past-due or delinquency status by class of financing receivable depending on whether it is carried at "amortized cost" or at a measurement other than amortized cost if it is neither past-due nor impaired. With respect to financing receivables that are past-due, but not impaired, the creditor must provide an analysis of the age of the carrying amount of the financing receivables at the end of the reporting period. The carrying amount will have to be disclosed for receivables that are 90 days or more past-due, but not impaired, for which interest is still accruing. Other requirements apply.

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This Proposal comes at the heels of several other proposed and actual changes in accounting standards promulgated before and in response to the financial crisis, including changes sought by creditors with regard to mark-to-market of assets. We share the general goals of FASB as banks are keenly interested in providing meaningful financial information to investors and others. We wish to work more cooperatively with accounting standards setters to establish a more collaborative and open process to address our mutual concerns. Toward that end, we encourage FASB to engage banks earlier in the development of exposure drafts such as this one. This would assist FASB to appreciate better the practical effects of new proposed standards, and where new standards are deemed warranted, they can be introduced in a way that achieves these goals without causing undue burdens.

CBA and its members are very concerned that this Proposal is intended to be made effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2009. This is too early. It is already late August, and entities will have only a few months to implement processes to provide the specified information in the proper format. FASB must appreciate that the systems and procedural infrastructures to generate financial information are complex and take time to reprogram. Implementation will also involve manual processes. The banking industry will need a minimum of six months and up to two years to properly implement the Proposal. Please note also that some smaller banks are implementing Sarbanes-Oxley requirements for the first time during this current year end, as well as the recently-issued FASB Statement No. 167. Some banks that are not formally subject to Sarbanes-Oxley nevertheless seek to comply for other reasons. To require additional changes at this time is unrealistic and burdensome.

We also ask whether pending and expected changes affecting the calculation of credit loss allowances will make the changes in the Proposal outdated in a short period of time. This raises a question whether the benefits of requiring such information outweigh the costs. Finally, we note that the proposed detailed disclosures make it possible that, with respect to smaller banks, borrowers may be individually identifiable. This presents not only a financial privacy issue, but may also call unwanted attention to individual companies and their credit standing. This may expose them to business losses and thus banks to unanticipated legal liability.

For the foregoing reasons, CBA asks FASB not to act on the Proposal at this time.

Sincerely,



Leland Chan
General Counsel