



1710-100

Comment Letter No. 85

R. MICHAEL MENZIES SR.  
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October 12, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
301 Merritt 7  
P.O. Box 5116  
Norwalk, CT  
06856-5116

Re: File Reference No. 1710-100

Dear Mr. Golden:

The Independent Community Bankers of America<sup>1</sup> (ICBA) welcomes the opportunity to comment on the Exposure Draft, *Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements*.

The Financial Accounting Standards Board has issued this Exposure Draft in response to recommendations by constituents that it improve U.S. generally accepted accounting principles (GAAP) disclosure requirements related to Fair Value Measurements and Disclosures—Overall Subtopic (Subtopic 820-10) of the *FASB Accounting Standards Codification*, originally issued as FASB Statement No. 157, *Fair Value Measurements*. FASB states that it believes users will benefit from the improved disclosures it is proposing and the benefits of the increased transparency in financial reporting will outweigh the costs of complying with the new requirements. ICBA strongly believes that the increased disclosures that FASB is proposing will be overly burdensome, particularly for community banks and other small businesses, and that their costs will far outweigh their benefits.

One of the significant new disclosures that FASB proposes would display the effect of reasonably possible alternative Level 3 inputs. For fair value measurements using significant unobservable inputs (Level 3), if changing one or more of those inputs to reasonably possible alternative inputs would increase or decrease the fair value measurement significantly (sometimes also referred to

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<sup>1</sup> *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](http://www.icba.org).*

as sensitivity disclosures), the reporting entity would state that fact and disclose the total effect(s) of the changes on the fair value measurement. ICBA sees that requiring the disclosure of the effect of reasonably possible alternative inputs as unrealistic, expensive and would provide less rather than more transparency. We believe it will be difficult for an institution to determine that it has fully identified and disclosed the reasonably possible alternative inputs to be compliant with the proposed disclosure requirement. The Exposure Draft states that reasonably possible changes in inputs shall not include remote or worst case scenarios, but that still leaves a wide range, including a best case that could be as reasonable as a worst case. We do not see that financial statement users will necessarily receive better information about an institution—just more information. We believe that an institution preparing its financial statements should determine what it sees as the most appropriate inputs resulting in the most likely fair value rather than offer a range of inputs resulting in a range of fair values which FASB believes would be beneficial to statement users.

We believe that for smaller banks and small businesses, the cost of compliance will be very burdensome as compared to the benefits the analysis will provide. Most community banks and small businesses are not likely to have the resources to conduct such an analysis in house and will need to hire a valuation service or consultant to develop the information. We understand that it currently costs at least \$1,000 per position and often more each time a valuation is needed. Adding a sensitivity analysis will increase the cost further.

#### **Effective Date**

FASB proposes that new disclosure requirements would be effective for interim and annual reporting periods ending after December 15, 2009, except for sensitivity disclosures about Level 3 fair value measurements which would be effective for interim and annual reporting periods ending after March 15, 2010. ICBA urges FASB that if it goes forward and finalizes the disclosures addressed in the exposure draft that both dates be postponed by 1 year to allow adequate time to prepare for the new disclosures given other accounting changes that must be implemented in the same timeframe as FASB proposes.

ICBA supports transparency in financial statements and recognizes the importance of useful disclosures. However we strongly believe that more is not necessarily better. The new disclosures will be costly but will not add transparency. ICBA urges FASB not to go forward with the proposed new disclosure requirements.

We appreciate the opportunity to comment on the Exposure Draft. If you wish to discuss our comments further, please contact the undersigned at 202-659-8111 or email at [ann.grochala@icba.org](mailto:ann.grochala@icba.org).

Sincerely,

/s/

Ann M. Grochala  
Vice President  
Lending and Accounting Policy

