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March 27, 2013

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Ms. Seidman:

The Independent Community Bankers of America (ICBA)¹ hereby requests an extension of 60 days for the comment period ending on April 30, 2013 related to the proposed accounting standards update on impairment of financial assets titled *Financial Instruments—Credit Losses (Subtopic 825-15)*. Additionally, ICBA requests an extension of 60 days for the comment period ending on May 15, 2013 related to the proposed accounting standards update on financial instruments titled *Financial Instruments—Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. These two proposals, with their wholesale accounting changes for the recognition and measurement principles for financial assets on the balance sheet, represent a tremendous change for all community banks and will need extensive further assessment to identify key challenges and obstacles for the fundamentals of bank financial accounting and the resulting impact on the communities served by these institutions.

For example, the exposure draft on impairment introduces the concept of a single impairment model for most community bank financial assets that would radically change the timing and severity of impairment loss recognition for a community bank's key earning assets. The proposal would also require the use of specifically identified factors that accurately reflect current conditions that would affect future cash flows of a

¹ The Independent Community Bankers of America®, the nation's voice for more than 7,000 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 nearly 5,000 members, representing more than 24,000 locations nationwide and employing more than 300,000 Americans, ICBA members hold more than \$1.2 trillion in assets, \$1 trillion in deposits, and \$750 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

corresponding loan or investment security. Community banks, as relationship lenders who tailor financial products to the needs of their customers, originate a wide array of collateralized loans with cash flows that are sourced from a diverse set of borrowers with unique risk profiles. Community banks will need to spend tremendous time and effort in the coming months to understand the impact of the impairment exposure draft on their existing loss recognition methodologies, forecasting tools, and third-party software solutions.

The exposure draft on classification and measurement is being presented at a time when prudential bank regulators are seriously considering changes to the treatment of accumulated other comprehensive income (AOCI) in regulatory bank capital. The inclusion of AOCI in determining a bank's overall safety and soundness will have a dramatic impact on how community banks classify certain financial instruments like loans and securities because their objectives for holding those assets may need to change. Additionally, changes to the categorization of mortgage loan assets based on the ability to hold solely to collect contractual cash flows will need special attention by community banks as they compare their traditional "originate and hold" business model with the increasing focus by prudential regulators on the need to maintain the appropriate level of liquidity in today's unprecedented interest rate environment.

By asking for a 60 day extension of the comment periods for both exposure drafts, ICBA believes that community banks will be able to properly evaluate the impact of these proposals on their balance sheets, business models, accounting policies and procedures, and the impact of any accounting changes on the financing products made available in their communities.

ICBA urges you to consider extending these comment periods and identify the challenges that the current brief comment period raises for community banks across the country with limited resources to evaluate the provisions of the exposure drafts. If you have any questions or would like additional information, please do not hesitate to contact James Kendrick, Vice President, Accounting and Capital Policy at (202) 659-8111 or james.kendrick@icba.org.

Sincerely,

/s/

Camden R. Fine
President and CEO