Public Information Room
Office of the Comptroller of the Currency
250 E Street, SW
Mailstop 1-5
Washington, DC 20219
Attention: 1557-0081

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: 7100—0036

Steven F. Hanft, Paperwork Clearance Officer
Room MB—3064
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: 3064—0052

May 10, 2005

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the joint proposal by the Federal Reserve, FDIC and OCC to amend the Consolidated Reports of Condition and Income (Call Reports) to reflect guidance issued by the American Institute of Certified Public Accountants (AICPA). The banking agencies have proposed changes to Call Reports that would incorporate information required by Statement of Position 03-

[1] The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. 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 17,000 locations nationwide and employing over 260,000 Americans, ICBA members hold more than $631 billion in insured deposits, $778 billion in assets and more than $493 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

3 (SOP 03-3), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*, which was issued by the AICPA in December 2004.

Summary

All banking institutions file Call Reports each quarter with the agencies. The agencies use these reports to monitor the performance and risk of the institution. As a result of the AICPA issuing SOP 03-3, accounting guidance for "purchased impaired loans," the agencies are requesting comment on proposed changes to the Call Report to incorporate accounting for these loans.

SOP 03-3 applies to "purchased impaired loans," defined as those a bank has purchased, including those through a business combination, with evidence of credit quality deterioration since origination and the probability the bank will be unable to collect all loan payments. It does not apply to loans a bank has originated.

The agencies are proposing to add three items to Call Reports. First, two Memorandum items—the outstanding balance of purchased impaired loans and the carrying amount before any loan loss allowances—would be added to Schedule RC-C, *Loans and Leases*. Also, a Memorandum item would be added to Schedule RI-B, C*hanges in Allowance for Loan and Lease Losses*, for the bank to report the amount of loan loss allowances (ALLL) for purchased impaired loans held for investment. The instructions to RC-N, *Past Due and Nonaccrual Loans, Leases and Other Assets*, would explain how purchased impaired loans should be reported in this schedule.

ICBA Position

Most community banks surveyed have not purchased or plan to purchase impaired loans, so adding the requirement would not necessarily add more transparency to a community bank's financial picture. However, for those banks that have purchased impaired loans, adding the proposed information to the Call Report would add clarity when compared to the existing guidelines and call report information.

Community banks spend significant amounts of time each quarter to prepare call reports. The added time burden to bankers for this proposal appears to be small; most claim the additional time to report might take anywhere from 10 minutes to an hour. The preparation time, however, for creating a separate loan category to automate the reporting of these loans and allowances can become burdensome.

Community banks report that it takes approximately 20-30 hours per quarter to prepare their reports. Adding small reporting requirements periodically can add significant time to the overall Call Report preparation. Since most community banks have staff that perform many different bank functions, devoting this much time four times a year to call report preparation can be burdensome.

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Community bankers from all sizes of banks report that the level of detail required is the most burdensome aspect of Call Report preparation. Bankers say schedules RC-B (Securities), RC-C (Loans and Leases), RC-O (Other Data for Deposit Insurance and FICO Adjustments), and RC-R (Regulatory Capital) are the schedules the most in need of streamlining. These require reporting the most detail; hence the most work and time.

Thank you for the opportunity to comment. If you need additional information or have any questions, please contact me by phone at 202-659-8111 or by e-mail at katie.bragan@icba.org.

Sincerely,

Katie Bragan

Katherine Bragan
Associate Director of Lending and
Accounting Policy