November 25, 2008

Submitted via email

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

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC, 20551
Re: Consolidated Reports of Condition
and Income, 7100-0036

Herbert J. Messite, Counsel
Attn: Comments, Room F-1052
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Re: Consolidated Reports of Condition
and Income, 3064-0052

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] welcomes the opportunity to comment on proposed changes to the Call Report requirements. The banking agencies proposed to collect additional data that focuses on areas in which the banking industry is facing heightened risk as a result of market turmoil and illiquidity and weakening economic and credit conditions. Where possible, the agencies have sought to establish reporting thresholds for proposed new items. Reporting requirements would be phased-in during 2009.

---

[1] *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.

While we understand the regulators' need to obtain more information on certain types of loans currently under stress, such as construction and development loans, the proposed changes will require many community banks to submit significantly more data, some requiring manual calculations at least initially. We hope that the additional staff time that the new reporting requirements will entail will be offset by less onsite examination time as examiners will be better able to pinpoint problem areas and shorten exam times when possible.

Definition of Real Estate

The agencies propose to clarify the definition of "loans secured by real estate" by specifying that the estimated value of the real estate collateral must be greater than 50 percent of the principal amount of the loan at origination in order for the loan to be considered secured by real estate. This change would be applied prospectively. If the real estate has been taken as collateral only through an abundance of caution, and where the loan terms as a consequence have not been made more favorable than they would have been in the absence of the lien, would the loan **not** be considered secured by real estate for Call Report purposes. If the loan is partially secured by a lien or liens on real property, but the estimate value of the real estate collateral (after deducting any more senior liens) is 50 percent or less of the principal amount of the loan at origination, the loan should not be categorized as a loan secured by real estate. ICBA believes that this is a workable definition and provides additional clarity.

Quantifying Misstatements in the Call Report

The banking agencies propose to incorporate the guidance of Securities and Exchange Commission's Staff Accounting Bulletins 108 and 99 into the section of the "Accounting Changes" glossary entry on error corrections, thereby establishing a single approach for quantifying misstatements in the Call Report that would be applicable to all banks. The banking agencies have in the past advised public companies to use the guidance in these two Staff Accounting Bulletins as they believe they represent sound accounting practices that all banks should use. ICBA supports this change as it provides a uniform approach for dealing with misstatements.

Unused Commitments

The agencies propose to revise the instructions for "unused commitments." Unused commitments are to be reported gross, i.e. include in the appropriate sub-item the amounts of commitments acquired from and conveyed to others. Commitments include: commitments to make or purchase extensions of credit in the form of loans or participations in loans, leases financing receivables, or similar transactions; loans for which the bank has charged a commitment fee or other consideration; commitments that are legally binding; loan proceeds that the bank is obligated to advance such as loan draws, construction progress payments, and seasonal or living advances to farmers under prearranged lines of credit; rotating, revolving and open-ended credit arrangements, including retail credit card lines and home equity lines of credit. It would also include commitments to issue a commitment at some point in the future including commitments that have been entered into even though the related loan agreement has not yet been signed. Community bankers have expressed concerned about including commitments that contain a relatively high level of uncertainty until a loan agreement has been signed or the loan has been funded with a first advance. They are concerned that unreliable data will be provided because conditions to a loan commitment may not be satisfied or other events occur.

Data Availability

The banking regulators are proposing a significant amount of additional data reporting. While some of the new data that the banking agencies propose to collect may be readily available, in other cases community banks will have difficulty providing some of the proposed information because their current systems do not provide it. Bank staff will need to calculate items manually until they (or their outside vendor) are able to make changes to the systems. We strongly support providing exemptions from certain reporting requirements for smaller institutions, or for institutions that have a de minimus level of activity in certain areas, whenever possible.

With the proposed changes to Schedule RC-Q that will capture more data about fair value accounting and fair value measurements from those institutions that are required to obtain an independent annual audit, ICBA urges the banking agencies to carefully study the impact of this controversial accounting methodology. Community banks have long been concerned about the application of fair value accounting to their financial statements. Fair value accounting often does not reflect the reality of community banking, a business based on the creation and holding of illiquid assets. We hope that the banking agencies use this data to take a close look at the impact of fair value accounting on the institutions they regulate.

We appreciate the opportunity to share our views. If you have any questions about our concerns, please contact me by phone at 202-659-8111 or by email at ann.grochala@icba.org.

/s/

Ann M. Grochala
Vice President
Lending and Accounting Policy