ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA

July 23, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 4-560

Dear Ms. Harmon:

The Independent Community Bankers of America[1] (ICBA) welcomes the opportunity to provide its views on Fair Value Accounting Standards to the Securities and Exchange Commission. The members of ICBA are both preparers and users of financial statements.

ICBA has long held concerns about the use of fair value accounting for community banks that are in the business of creating and holding illiquid assets. While they must hold some readily marketable securities for liquidity purposes, they are not generally in the business of creating or purchasing assets or liabilities for quick resale. They fund their operations primarily by deposits and hold small business, agricultural and even residential mortgage loans that are not readily marketable. Thus, we continue to hold the view that full fair value accounting should not be applied to institutions such as community banks as it is more likely to mislead investors and financial statement users than provide them a clearer picture of financial condition. Also, very often community banks see little value in applying fair value accounting to the financial statements of their small business customers. They generally believe that it does not improve the information provided in the financial statements used to support lending decisions.

It is important that companies follow sound financial reporting policies and provide transparent disclosures to ensure that their true financial condition is evident. However, we have had

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[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 nearly 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.

serious concerns about whether fair value accounting enhances information or provides misleading information. Over the last few months as the financial and credit markets have faced extreme stress, ICBA members have raised increased concerns about the role fair value accounting has played in exacerbating the problems. Fair value is to reflect the price that would be received in an orderly transaction for the asset at the time of measurement, yet it appears that too often investment and credit analysts and others have been inappropriately applying "fire sale" values in their financial evaluations and calling them fair values. Clearly, in many cases markets have not been orderly, yet values have been determined based on their activity or more likely, inactivity. Fair values of financial instruments have been determined assuming forced liquidations and where no buyers are in the market. It is particularly troubling for financial institutions whose capital position—and continued survival—is dependent on these valuations. In our view, more needs to be done to ensure a proper understanding of what fair value is and is not, and to ensure that it is being properly applied.

ICBA sees a need for more implementation guidance from the SEC to help financial statement preparers, auditors and examiners better understand the intent of accounting statements and guidelines and to foster more consistent application. In the last several years, there have been misinterpretations, or unexpected interpretations of accounting guidance, that have caused problems for both standards users and standards setters. One notable example was the issue of Other Than Temporary Impairments.

We believe that the SEC should provide guidance more often and use greater transparency in communicating the guidance so it is disbursed broadly to the accounting and auditing industry and the public. This should be accomplished through timely public releases of guidance with prompt postings on the SEC website. We believe that a more transparent, broader disbursement of guidance will greatly help eliminate confusion as institutions and their auditors work to properly apply new accounting treatment.

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.

Sincerely,

/s/

Ann M. Grochala
Director, Lending and Accounting Policy