



# NORTH SHORE BANK

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August 24, 2009

Technical Director  
Financial Accounting Standards Board  
401 Merrit 7  
PO Box 5116  
Norwalk CT 06856-5116  
Via email: [director@fasb.org](mailto:director@fasb.org)

**File reference No. 1700-100: Exposure Draft of a Proposed Statement of Accounting Standards - *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses***

Dear Technical Director:

North Shore Bank is a \$1.9 billion mutually-chartered federal savings bank with branches in Wisconsin and Illinois. We appreciate the Financial Accounting Standards Board's invitation to comment on its Exposure Draft of a Proposed Statement of Accounting Standards – *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*.

We are concerned about the usefulness of the disclosures proposed in the exposure draft as well as the challenge of compiling the information required. We do extensive reporting on credit quality for the bank's senior management and board of directors. Though some of the information outlined by the exposure draft is readily available and regularly reviewed by management, a great deal of the information is compiled using manual processes. Some of the measures of credit quality cited by the exposure draft, such as credit scores, are not captured in our loan servicing systems at all. Accumulating the information described in the exposure draft and warehousing it so that it would be available for reporting purposes would be a huge project for our bank.

Aside from the operational issues that we would encounter in our efforts to comply with the proposed disclosures, we question the need for detailed fair value reporting related to our loan portfolios and reserve for loan losses beyond the requirements of SFAS 107. Fair market value reporting on loans is only meaningful in a liquidation scenario. For any bank that is reasonably well-capitalized and profitably carrying out the day to day business of banking, preparing detailed fair value reporting is an exercise that provides no benefit for management and can have little meaning for the users of our financial statements.

We are fortunate in that our September 30 fiscal year end would give us almost a year to prepare for the proposed disclosures. However for us, and for other thrifts like us, this becomes a question of cost vs. benefit. The cost to build the reporting mechanism that has been proposed would be steep, since multiple departments (accounting, loan operations, information systems, and credit analysis) would need to be involved. But who would benefit? The primary users of our financial statements are: 1) our regulators for whom we already produce quarterly TFR and CMR reports, and 2) the Chicago Federal Home Loan Bank, a primary source of funding, that has developed its own quarterly reporting package (Qualifying Collateral Report). Other users include the investors who purchase the fixed rate loans that we've

originated. To date none of these users have made inquiries about our financial statements or have requested additional information.

It is our strong recommendation that nonpublic companies be excluded from the requirements in this exposure draft because the cost of accumulating this information greatly exceeds the benefit to be derived from it.

Thank you for considering our concerns.

Sincerely,

Nancy Lepic  
Vice President and Controller