

Letter of Comment No: 164
File Reference: EITF03-1A

October 28, 2004

Mr. Lawrence Smith
Director and Chairman of the Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856

Re: Proposed FASB Staff Position, EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"

Dear Mr. Smith,

Home Federal Bank appreciates the opportunity to comment on the proposed Staff Position, issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1-a).

Home Federal Bank is located in Grand Island, Nebraska and has total assets of approximately \$165 million.

Home Federal Bank wants to thank the FASB for delaying the effective date and taking more time to consider the views of the industry.

Although we think that the FASB proposal is a step in the right direction, it seems that more consideration and thought is needed in order to be in the best interests of all those affected. We feel that the way the proposal is currently written will result in potential income and capital volatility by requiring incorrect write-downs on assets that are under water and classified as available-for-sale (AFS) to be permanently written down when similar securities are sold from the AFS portfolio. Also, it will impair our Bank's ability to practice day-to-day prudent decision making with regard to our balance sheet and asset/liability management activities. Finally, we feel it will generate incorrect recognition of revenue. The two main points Home Federal Bank would like to make are: 1) debt securities held in AFS should not be written down for changes in market values that are due solely to increases in interest rates, and 2) requiring an "intent-to-hold" in AFS is inconsistent with AFS. Instead, the focus should be on "ability to hold".

Several questions have come to mind as we have pondered your position. The obvious questions are 1) Why do we need to have more cumbersome rules? 2) What is this really fixing? and 3) Who is to say that interest rates are "other than temporary"?

In our opinion, these issues were dealt with in SFAS 115 and institutions such as ours should be able to sell available-for-sale securities. However, one possible solution might be that declines in value that are solely due to increases in interest rates (debt securities) should be excluded from EITF 03-1. Another possible solution might be that if the proposal remains as is, "intent" to hold should be excluded for declines in value that are solely due to increases in interest rates (debt securities). The notion of "intent to hold" conflicts with SFAS 115 "available for sale". Instead, "ability" to hold the security should be the only test.

Again, we appreciate the opportunity to comment on this proposal. Thank you for considering our views.

Sincerely,

Dale E. Gilbert
First VP/CFO
Home Federal Bank
Grand Island, Nebraska