EMPRISE BANK®

**Letter of Comment No: 238**
**File Reference: EITF03-1A**

November 4, 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 03-01-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-01, "The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments"

Dear Mr. Smith,

As CFO at Emprise Bank in Wichita Kansas, I would like to comment on the proposed Staff Position regarding EITF Issue 03-1. Emprise is a $640MM Community Bank. Our intent is to hold the majority of our assets in community loans, however, over the last year and a half, we have experienced a decline in loan demand resulting in an increase in our debt securities portfolio to $120MM.

The primary objective of our securities portfolio is to maintain bank liquidity while providing incremental income over the alternative of holding excess Fed Funds. Therefore, we have designated the portfolio to be "Available for Sale" under SFAS 115. We are primarily invested in bullet agencies in a laddered maturity strategy with a weighted average modified duration of less than 1.5.

Recognizing losses in securities due solely to increases in interest rates is inconsistent with the rest of the bank's balance sheet. A bank could do a superb job of asset liability management that minimizes its overall exposure to interest rate risk yet still report losses due to interest rate increases because the market value decline in debt securities would be recognized but the increase in value of offsetting liabilities (time deposits, fixed borrowings, etc.) would not. Sound asset liability management focuses on how the whole balance sheet reacts to changes in interest rates and the total economic impact to the bank. This FASB Staff Position seems to single out a single component of the balance sheet and prescribe a different accounting treatment.

The requirement that the investor assert the intent to hold the security through the recovery of impairment should be removed. It seems inconsistent with SFAS 115 classification "Available for Sale". Since the security portfolio of a bank generally represents its primary source of liquidity, selling a security prior to maturity for liquidity purposes should not taint the rest of the portfolio and require recognition of temporary losses resulting from rising interest rates as long as the bank has the ability to hold the majority of the portfolio through the recovery period. The ability requirement is fine but the intent requirement seems very similar to "Held to Maturity."

I believe the current application of SFAS 115 works well for the banking industry. Any change that would require recognition of securities losses due to increases in interest rates without considering the effect of rising rates to the rest of the balance sheet would understate the earnings of well-managed risk adverse banks.

Regards,

Roger Hastings

Roger Hastings
CFO / SVP