
From: Roy Budlong [RBudlong@bankwithpremier.com]
Sent: Thursday, October 28, 2004 3:28 PM
To: Director - FASB
Subject: Proposed FASB Staff Position, EITF Issue 03-1-a

Letter of Comment No: 102
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,

Premier 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). Premier Bank is a \$215MM community bank with the main office in Fort Atkinson, Wisconsin and locations in 3 other communities. I appreciate the opportunity given to the banking industry to comment on the aforementioned and your willingness to extend the effective date in order to listen to our concerns.

This proposal, in my opinion, could have a significant adverse impact on community banks similar to us. In the past 14 years, I have worked for 3 community banks and a regional bank. The community banks I have worked at have had a similar philosophy regarding investments. They are generally not traded and have a major purpose in being held onto ie. Liquidity, pledging, etc. Thus we hold the security for the life of the issue. This proposal is contradictory to the general philosophy of the community banking industry that we are in the business of trading investments. Banks weather the interest rate cycle by holding onto the investments. We have reflected market deviations of our portfolio on our statement of condition on a monthly basis under unrealized gains/losses. This proposal could create wild fluctuations in income reporting from banks. Mark downs in income until maturity when the entire par value will be brought back into earnings. If the banking industry has a pattern of trading investments on a regular basis, I would agree with this proposal, but the industry doesn't. If the test of an AFS is the intent to hold, we should be accurately analyzing based on the ability to hold. Intent and ability can be sharply contrasted based on capital structure.

I do not believe the banking industry is posing significant risk for the need to mark to market on the income side of the financials. We have done a reasonable job on the statement of condition and this should be adequate to address any concern of investors or the regulators as to risk bearing ability. Industries that have a history of significant trading practices should be the target for this proposal.

I appreciate the opportunity you have allowed the banking industry to voice our views and concerns on this matter. If you have any specific questions, please contact me, Roy J. Budlong, EVP, Premier Bank, 920-563-6616 ext. 3016.

10/29/2004

Sincerely,
Roy J. Budlong