



American National Bank AND TRUST COMPANY

Letter of Comment No: 60
File Reference: EITF03-1A

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

VIA EMAIL (director@fasb.org)

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:

American National Bank and Trust Company appreciates the opportunity to comment on the proposed Staff Position (FSP 03-1-a) issued September 15, 2004 by the Financial Accounting Standards Board. American National Bank and Trust Company is a community bank headquartered in Danville, Virginia. We operate fourteen branch locations and one loan production office.

Thank you for delaying the effective date of EITF Issue 03-1 to allow companies time to consider the consequences of the rule. After much thought, please allow me to offer the following comments on behalf of American National.

Problems with EITF-03-1:

- **Impairment of debt securities:** While we agree that losses should be recognized on debt securities that have been permanently impaired, we disagree that any changes in market value due solely to interest rate movements should constitute "other than temporary" impairment. The majority of the debt securities held in our bank's portfolio are Triple-A rated U.S. Government Agency bonds and municipal bonds issued by states and localities. Daily interest rate movements affect the values of these bonds, however, the collection of all principal and interest due is generally not in question. We should not be required to write down the values of these bonds simply because interest rates have risen. Other factors, such as the issuer's ability to pay, should be considered in determining whether the security is other than temporarily impaired.
- **Intent and ability to hold:** We do not oppose the requirement that banks must have an ability to hold a security until such time that the market value has recovered. However, we oppose requiring banks to assert its **intent** to hold a security classified as "available-for-sale." The primary purpose of classifying a security as available-for-sale is to provide the bank with the flexibility needed to sell the security (at a gain or a loss) if necessary for prudent balance sheet management purposes.

- **“Tainting”**: We disagree with recent interpretations that consider the sale of one or more available-for-sale securities at a loss to “taint” the other securities in the portfolio. Risk management should be a suitable reason for selling a security without tainting the portfolio.

Thank you again for allowing me the opportunity to comment on this proposal. If you have any questions, please feel free to contact me at 434-773-2242 or by email at petrovichn@amnb.com.

Sincerely,

Neal A. Petrovich
Senior Vice President and Chief Financial Officer