Letter of Comment No: 51
File Reference: EITF03-1A

October 26, 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,

The First National Bank of Negaunee 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). First of Negaunee Bank is a small community bank of roughly $140 million. We are located in Michigan's rural Upper Peninsula and service the needs of our community's people and small businesses.

First, we wish to thank the FASB for delaying the effective date of this position and for taking more time to consider the views of the industry. As a small community bank, our primary concerns related to this position have to do with its impact on our asset/liability management by hindering our ability to practice prudent investment portfolio management. It is our opinion that 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 in requiring an "intent-to-hold" in AFS is inconsistent with AFS. We feel rather, that the focus should be on "ability to hold".

It is our contention that banks need the flexibility to sell securities classified as AFS at a profit or loss without risking writedown of other securities in the AFS portfolio. Rather, losses on AFS securities should be recognized when a decision is made to sell securities and / or when securities are permanently impaired. As you know, banking regulators do not include unrealized gains in calculating regulatory capital. The AFS portfolio is a management tool, and capital is not impacted until management makes a decision to sell securities.

In our opinion more focus should be placed on better defining "other-than-temporary" with respect to losses as a result of events, rather than being limited to changes in interest rates and interest rate related market value fluctuations should not be the sole factor to analyze debt securities for impairment. Other factors, such as credit ratings, interest payment history, and the ability to repay are examples of many other important factors that should be considered as part of the analysis in determining whether the debt security is other –than-temporarily impaired.

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

Sincerely,

John W. Lenten
Vice President