Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116

Letter of Comment No: //
File Reference: EITF03-1
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Re: Comments on FSP EITF Issue No. 03-1

Ladies and Gentlemen:

I am the portfolio manager of a \$1.2 billion asset community bank. In order to maximize our ability to manage our investment portfolio we, as a matter of policy, classify all of our securities as available for sale. We view the portfolio as one the primary tools we use to manage our interest rate risk, provide liquidity and reduce volatility in earnings. We also view the portfolio as an important secondary source of income. The types of securities we purchase for the portfolio are intended to complement the asset/liability composition of the bank's balance sheet. If additional asset sensitivity is required, we will purchase short duration or adjustable rate securities or sell long duration securities. If we wish to reduce asset sensitivity, we will purchase longer duration securities or sell short duration or adjustable rate securities. The size of the portfolio grows and shrinks in response to the relative size of the loan portfolio and the level of liquidity available. This process has worked well for us for many years and is similar to the management practices of many community bankers that I have met.

Securities are purchased in all rate environments but we only purchase those with high credit quality. We believe credit risk should be limited to our loan portfolio. As interest rates change, securities increase and decrease in value. This is a natural result of interest rate cycles and is not a result of changes in the underlying credit quality. As a result of our management of the portfolio, we sell some securities at gains and some at losses. We believe that Issue 03-1 as it is currently written will negatively impact our ability to manage our portfolio and thereby manage our interest rate and liquidity risks. We believe it would also lead to increased earnings volatility which would in turn decrease shareholder value.

Finally, Issue 03-1 would require us to manage our portfolio on a security-by-security basis rather than on a holistic approach. This would restrict our ability to adequately diversify the portfolio for the purpose of mitigating the risks that the portfolio has always been intended to help us control.

We believe an unintended result of Issue 03-1 would be a weakening of the safety and soundness of community banks. It is vital that we be able to manage our interest rate and liquidity risks. We believe the implementation of this issue be delayed to allow sufficient time for public comment on this

important matter. We also believe that debt securities that are impaired solely due to increases in interest rates not be subject to an impairment charge against earnings.

Sincerely,

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