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October 26, 2004

Letter of Comment No: /25 File Reference: EITF03-1A

Mr. Lawrence Smith Director and Chairman of the Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 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
It's Application to Certain Investments."

Dear Mr. Smith:

The First Bank and Trust Company welcomes the opportunity to comment on the proposed staff position issued on September 15, 2004, by the Financial Accounting Standards Board (FSP 03-1-a). The First Bank and Trust Company prides itself as being a locally owned community bank that has grown from \$1 million to \$640 million in twenty-five years through a managed growth business plan that utilizes the investment portfolio for liquidity and asset/liability management. To meet the objective of a community bank that has and will continue to meet the loan demands of our community, flexibility is imperative as pertains to our investment portfolio.

We appreciate the FASB delaying the effective date of this rule to allow for additional input from constituents. I would like for you to consider the following specific issues that need to be addressed and resolved prior to the effective date:

- Debt securities held in AFS should not be written down for changes in market values that are due solely to increases in interest rates. Forced write-downs of securities that were inappropriately deemed to be other-than-temporary, followed by a recovery, would result in the need for banks to adjust the effective yield on the securities and recognize inflated revenue in order to accrete market to face value over the remaining life of securities. This treatment would result in incorrect recognition of earnings.
- Requiring an "intent-to-hold" in available for sale is not consistent with the available for sale category. It will not allow our financial institution the flexibility necessary to utilize the investment portfolio as an effective asset/liability tool.

If this rule is interpreted in the strict manner currently proposed, it can hinder the ability to manage the balance sheet for legitimate business purposes. At First Bank, it will limit our ability to generate cash as our loan demand grows if the sale of selected available for sale securities taints the entire portfolio.

In conclusion, First Bank would like for you to consider the business impact that this rule will impose and the desired benefit. It is recommended that you allow sales for Risk Management and Liquidity from the Available for Sale Securities without tainting the portfolio.

Thank you in advance for allowing me to express my concerns and possible solutions.

Sincerely,

W. Mark Nelson

Chief Financial Officer

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