



Letter of Comment No: 218
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 FSP 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:

This letter in response to the open comment period, which has been established relating to the proposed Staff Position issued on September 15, 2004 by the Financial Accounting Standards Board (FSP 03-1a). As a community banking organization, we sincerely appreciate the opportunity to express our concerns over new accounting requirements.

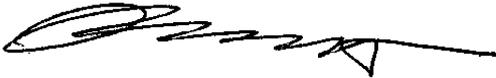
Pioneer Bank is a locally owned, community bank located in Stanley, Virginia. We have consolidated assets of approximately \$125 million and currently have 6 branch locations. We currently maintain an investment portfolio of approximately \$11 – 12 million and the majority of this portfolio is held in available for sale securities.

Our review and assessment of the new proposed accounting requirements indicates that this will cause increased income and capital volatility and would likely discourage long-term asset management. The new considerations treating negative market value changes, due to interest rate fluctuations, as other than temporary impairment, would force institutions like ours to recognize the lower value. This would have a significant impact on both income and capital. It appears to us that the current interpretation is not consistent with the philosophy of "available-for-sale" securities and also appears to be inconsistent with existing generally accepted accounting principles (GAAP). From our perspective, available-for-sale investments are one of the most controllable avenues any financial institution has for managing overall balance sheet positions. The proposed accounting changes will be a significant restriction on this process.

We respectfully disagree with these proposed accounting changes, as we do not feel the current interpretation of FSP 03-1a should be implemented. We believe the impairment considerations should allow for the evaluation of the recoverability of available-for-sale securities. In many cases, financial institutions have the ability to hold investments for a period of time that is sufficient for a forecasted recovery, and therefore the instrument should not be considered impaired. Further, interest rate fluctuations in the market should not be the sole factor upon which impairment is based.

In conclusion, we are requesting an immediate postponement of the application of EIFT Issue 03-1-a. Once again, we appreciate the opportunity to comment on this matter and would like to thank you in advance for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas R. Rosazza', with a stylized flourish at the end.

Thomas R. Rosazza
President / CEO