From: Chris Snodgrass [Chriss@bomva.com]
Sent: Thursday, October 28, 2004 11:05 AM
To: Director - FASB
Cc: Chris Snodgrass; Ed Stringer
Subject: The Bank of Marion Comment on EITF Issue 03-1-a

Letter of Comment No: 111
File Reference: EITF03-1A

Thursday, October 28, 2004

Mr. Lawerence 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,

Thank you for delaying the effective date of the proposal to allow for industry input.

The Bank of Marion is a $330 million community bank located in Marion, VA. As CFO of the Bank of Marion, I would like to express one concern regarding the EITF referenced above.

Our management invests approximately thirty-five percent of our bank's $110 million investment portfolio in longer term municipal bonds. These bonds have 15 to 20 year maturities with 10 year call provisions and are classified as AFS. The reasons for investing in these longer-term municipal bonds are as follows:

- These bonds are long-term, higher yielding assets that are funded by long-term, lower cost core deposits. These core deposits are smaller balance checking, savings and money market account customers that have been with our bank for many years. By investing these core deposit dollars into long-term municipal bonds, we are matching long-term liabilities with long-term assets.

- Over a period of many years, this municipal bond portfolio will generate a book yield between 6.30% and 7.30% and the core deposits referenced above will cost the bank between 1.90% and 2.56%.

- Municipal bonds are one the few asset classes that offer some measure of call protection, provide tax-free income, and have the ability to gain in value as they approach maturity.

The Bank of Marion has the ability to hold these municipal bonds to maturity/call date. Users of our financial statements would be confused by the adjustments to income if we were required to write-down the value of these municipal bonds due to increases in interest rates. Write downs due to changes in creditworthiness would make sense. The users of our statements already see the effect of any unrealized gains or losses in the equity component of the balance sheet and can ascertain how rate changes have affected the book value of their investment in the Bank of Marion.

Thank you for considering our views. If you would like to discuss this letter in more detail, please contact me at 1-276-783-3116.

Sincerely,

Chris B. Snodgrass, CPA
Vice President and Chief Financial Officer
The Bank of Marion