

Letter of Comment No: *22*
File Reference: 1225-001

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

Re: Comments to Proposed Amendments to FASB 140

Dear Sir or Madam:

This firm represents the Independent Bankers of Colorado ("IBC"), a non-profit trade organization representing the interests of 110 Colorado community banks doing business at over 500 locations statewide. We have been asked to submit comments on behalf of our client and its members to the proposed amendments to FASB 140.

The concerns of community bankers relate to paragraph 8 A. (c) and are as follows:

1. This rule would be a major departure from existing and historical criteria for determining whether a true sale of a participating interest has occurred. The introductory and explanatory portions of the proposal do not address in any way the need for this change, and it does not appear to be either necessary or relevant in order to address the issues which the proposal states are the reasons for adoption. It does not relate in any manner that we can see to the abusive use of special purpose entities, which is the stated focus of the amendments. As addressed more fully below, it will have a severe adverse impact on small lenders who do not commonly utilize SPEs.

2. At a recent meeting of bankers and Federal Reserve representatives, bankers were informed that the Federal Reserve interprets paragraph 8 A. (c) to mean that banks may no longer sell only the guaranteed portion of federally guaranteed loans. Rather, for these participations to qualify as a sale under the new standards, banks would be required to sell a proportionate amount of both the guaranteed and unguaranteed portions. Many IBC member banks originate loans guaranteed by the SBA and other governmental agencies. These banks are currently able to offer these loans to the public in significant quantities because there exists a market to purchase the guaranteed portions of those loans. There would be little, if any, investor interest in continuing this practice if investors are required to purchase a proportionate share of

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the unguaranteed loan. This will have the effect of impairing the availability of needed credit, particularly to small borrowers. This would be an especially unfortunate result in light of the need for capital investment of this type in the hurricane damaged areas of the country.

3. Paragraph 8 A. (c) would also appear to prohibit a lender from selling a loan participation at an interest rate other than the actual loan rate. This practice is and has been historically common and its abolition will necessarily make lenders more reluctant to originate loans on which they have been able in the past to earn higher rates of return by participating portions of those loans to investors willing to acquire them at a return less than the actual loan interest rate. Again, this will have the effect of making capital less available, particularly to small borrowers.

4. Finally, paragraph 8 A. (c) appears to prohibit the common and historical practice of permitting loan participants to be taken out of a loan first and allowing the originating lender to retain the full amount of its original investment for the entire term of the loan. The result will be to further discourage the origination of certain types of loans by small banks.

We find no reason for FASB to make these drastic changes in the treatment of loan participations. They do not serve the purpose of addressing the abuses which the rule indicates are intended to be addressed and will have a significant adverse impact on both small lenders and small borrowers. We urge the Board either to delete entirely paragraph 8 A. (c) or to adopt additional provisions which make it clear that none of the results outlined above will occur.

Thank you for permitting us to comment on the proposal.

Very truly yours,

A handwritten signature in black ink that reads "John Burrus". The signature is written in a cursive style with a large, prominent "B".

John E. Burrus

JEB/pmh
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The logo for the Board of Supervisors of Banks (BSB), consisting of the letters "BSB" in a stylized, serif font.