

**From:** Steve Bumann [mailto:steve.bumann@bankwest-sd.com]  
**Sent:** Thursday, October 09, 2008 2:55 PM  
**To:** Director - FASB  
**Subject:** Re: FSP FAS 157-d



LETTER OF COMMENT NO.

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I am the CFO of BankWest, Inc., a \$715M privately held Community Bank in Central South Dakota. I have studied the proposed staff position FSP FAS 157-d and am frankly discouraged by the position paper. When I read that SEC was suspending Mark to Market rules and studying the issue I was hoping that the SEC and FASB would work to help to return the bond markets to some semblance of normalcy. Instead, I interpret this position paper as continuing to push Banks into a position of forced selling because of market values that are ridiculously low in light of the projected future performance. The position paper requires a market liquidity premium that seems to make us to value securities reflecting a disorderly market.

We have a number of private label mortgage backed securities that are valued significantly less than the purchase price. We do detailed credit analysis on these securities and subject them to stringent stress testing. For the vast majority of our bonds we will get back par even in a severe stress situation and for those few that would not return par they will return substantially more than we paid for them. However, because they have been "valued" in a severely distressed and inactive market at less than we paid for them for close to a year we run the "risk" of our auditor or the FDIC treating them as OTTI.

Allow me to give you an example. One bond we own was purchased at 77. Using zip code specific credit analysis which assumes that home values in each zip code will fall 10% per year for 3 years (From the value today) and never recover from there we project that we will receive 94 cents out of each dollar of par value. As I stated we paid 77 so we will get our principle even in a pretty terrible market. The latest valuation of that bond from the pricing service was 21. We have the ability and intent to hold this security and receive back more than we paid for it, but we could be forced to write it down to some nonsensical value.

I believe that we need some clear definition of an active or inactive market and if that cannot be achieved fair value should be based on cash flow estimates and normal market based credit risk spreads for the type of collateral supporting the security as long as the investor has the ability and intent to hold the security for the foreseeable future. Wide liquidity based spreads resulting from distressed or inactive markets should not be included in fair value measurement. Disclosures should be detailed and clear

I also believe OTTI assessments should be based on the probability of getting the cash flow expected at purchase and the ability and intent to hold the security. The length of time that fair value is less than cost should not impact OTTI if the ability and intent to hold in there and the cash flow projections are holding

Finally I believe that OTTI for distressed securities should be based on the net present value of the revised cash flow projections and not based on some irrelevant estimate of value in an inactive market.

Clarifying the principles on the above three items in that manner would go a long way to easing the accounting fears of institutional investors and would go long way toward unthawing the frozen up credit markets. I do not believe there would be any cost in terms of quality and transparency of financial information, especially if proper disclosures are done.

Thank you for the opportunity to express my views on this matter.

Steve Bumann  
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