

Letter of Comment No:

File Reference: EITF03-1A

DEE REYNOLDS

PRESIDENT LORENZO BANKING CENTER

October 13, 2004

Mr. Lawrence W. Smith, Chairman EITF Financial Accounting Standards Board PO Box 5116 Norwalk, CT 06856-5116

Re: Emerging Issues Task Force Issue No. 03-1

Dear Mr. Smith:

The purpose of my letter is to comment on the EITF issue no. 03-1. I have 20 years experience in banking and currently serve as Branch President and Investment Officer for a \$100 million bank in northwest Texas. The proposed FASB rule being considered by the EITF, if implemented, would adversely affect most banks including my own. I oppose the rule on the following grounds:

The fact that a bank (of any size and balance sheet make-up) has made a few repositioning moves in its bond portfolio that resulted in a loss, does not indicate that bank does not have the ability to hold the AFS portion of its portfolio to maturity. Didn't FASB 115 already address and properly regulate this situation?

The regulation would adversely affect in a disproportionate amount, banks with low loan to deposit ratios (thus higher % of assets invested in bonds) actually leading to a bank that has a more conservative balance sheet having a more volatile income and capital position. This is contrary to reality.

Banks are already under intense scrutiny of their ability to manage Interest Rate Risk. The fears of bank endangerment due to rising interest rates are more effectively (and fairly) addressed in the area of IRR, not by forcing "paper only" losses onto income statements of solidly run banks.

All other assets and liabilities on a bank's balance sheet are excluded from mark to market, but investments are not. This proposed standard could easily force banks to make decisions based on an accounting treatment that would not necessarily be in their best long-term interest. The regulation would increase income and capital volatility and reduce or severely discourage sound long-term asset management.

I urge you to not adopt this policy.

Sincerely,

President - Lorenzo Banking Center

Investment Officer