Letter of Comment No: 2
File Reference: EITF03-1
Date Received: 9/21/04

From: Steve A. Grell [mailto:sgrell@ecommunitybank.org]
Sent: Friday, September 17, 2004 8:25 AM
To: Director - FASB
Cc: Clark J. Cunningham
Subject: EITF Issue 03-1 The meaning of other-than-temporary Impairment

This proposal is a misdirected position change which will alter community bank behavior for the worse. I see some banks selling bonds with gains only and holding all the dogs just so they don't have to write down the portfolio. Some banks will turn to riskier loans and stop carrying as much in their bond portfolio there again just so they have no worry of writing down a portfolio. Some banks will seek out funding at any cost just so they don't have to sell bonds with a loss for liquidity. What about the gains in value of long term borrowings at a fixed cost that offset longer term underwater bond positions? Why take those positions if there is no credit given? Do banks only take short term positions in both bonds and liabilities? This proposal does not produce a more safe and sound privately held community bank. They do not make it easier to understand or give clearer picture to closely held shareholders. They actually make it more difficult for them to understand especially with large fluctuations caused by other than temporary. Do we need to create a set judge and jury regulators to decide what is temporary and will all have the same interpretation? This ruling does not improve community bank safety and soundness but could have the reverse effect.