



COMMUNITY BANKS OF COLORADO

Englewood

September 29, 2005

Letter of Comment No: **1**
File Reference: 1225-001

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: Proposed Statement of Financial Accounting Standards -- Accounting for Transfers of Financial Assets -- an amendment of FASB Statement No. 140

Dear Sir:

While attending a Federal Reserve Bank Accounting and Auditing Roundtable, the Federal Reserve presenter discussed the proposed changes of FASB Statement No. 140. I have reviewed the proposal and agree with the presenter that if implemented, this proposal could have a devastating impact on the origination and sale of government guaranteed loans.

Currently, many financial institutions such as mine have departments that originate and sell loans that are guaranteed by the Small Business Administration and other governmental agencies. Guaranteed loans, by design and intent provide an avenue for borrowers with less than stellar credit or business experience to obtain credit, create jobs and further citizen opportunities in this great country that we live in. To accomplish this end, industry has developed an efficient delivery system to handle these financial transactions.

Some companies are efficient in originating and servicing these loans and the financial markets have investors that desire to purchase the guaranteed portions of those loans. It appears that the proposed changes in paragraph 8 (b) that required that all "Cash flows received from the asset are divided among the participating interests...in proportion to the share of ownership represented by each" could require that the guaranteed and non-guaranteed portions of these loans would need to be sold on a pro-rata basis, i.e. not divided between guaranteed and non-guaranteed portions. Additionally, the common practice of selling the guaranteed loans at a different interest rate than the face amount of the loans would also be impacted.

As I read the proposal, transactions that do not fully qualify as a "sale" would be accounted for as secured financing and would likely require that the total amount of the asset (including the amount "sold") and the liability would need to be recorded, i.e. the balance sheet would be "grossed up". From a regulatory standpoint, financial institutions would need to retain capital for assets that have been "sold". These changes would effectively disrupt fundamental financial aspects of these credits and threaten the continued flow of these transactions that are essential to the job growth of this country.

I assume that the potential impacts of this proposal are unintentional and urge reconsideration of this proposal.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sheryl Patterson", followed by a horizontal line.

Sheryl Patterson
Regional President

SP/blr