

**Ragan Vincent**

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**From:** Dale Utley [dutley@bbwest.com]  
**Sent:** Thursday, October 06, 2005 4:03 PM  
**To:** Director - FASB  
**Subject:** File reference 1225-001



October 6, 2005

Financial Accounting Standards Board  
401 Merrit 7  
P.O. Box 5116  
Norwalk, CO 06856-5116

Dear Sir or Madame,

I am writing this letter in opposition to the proposed changes to FAS 140 issued for comment on August 11, 2005.

Bankers' Bank of the West (BBW) is one of 21 bankers' banks throughout the United States that offer only correspond banking services to the independent community banks in nine states. One of the services that are vital to community banking is loan participations. This proposed revision to FAS 140 will have a deleterious effect on the bankers' banks and every community bank that participates loans to us or to other banks.

Participations, in particular over line participations, typically originate from a community bank's best and most profitable customers. To restrict the sale of these loans to a pro rata basis only, will force community banks to sell loans they normally would be able to keep under LIFO agreements. The result of this is the reduction in profitability and flexibility for the selling bank. An example of this would be a single-family residential builder. Typically a commitment to build a series of houses is usually twice the amount of the loans outstanding at any one time. Under a LIFO agreement, so long as the loan is not in default, the originating bank can maintain its lending limit to that customer in dollars outstanding and only fund the over line when the outstanding balance exceeds the originating banks legal lending limit. Under the proposed revision to FAS 140 this same situation would require the originating bank to sell and fund whatever percentage is actually outstanding on each advance. Obviously, the originating bank will receive significantly less income with a pro rata agreement.

10/7/2005

In addition the proposal will substantially reduce the community bank's ability to manage liquidity. In many areas of the country there are wide swings in deposit based on the normal business cycle of the local community. Participations also act as "shock absorber" for deposit swings during periods of high loan demand and low liquidity. Under this proposal the banks would be limited once again to pro rata participation for the duration of the loan.

Although BBW does not participate in many SBA loans, there are many banks in or territory that do. Again restricting the sale of the guaranteed portion of these assets severely limits a community bank's management of assets, liabilities and liquidity.

In short this revision to accounting standards has serious repercussions that not only adversely affects community banking but also cannot be highly regarded by state and federal regulators. Bankers' Bank of the West wants to go on the record as opposing these changes.

Sincerely,

Dale W. Utley  
Senior Vice President