From: wrwhite@dfsb.net
To: Director - FASB

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

**Date:** Thursday, September 16, 2010 1:33:05 PM

William White 22315 Michigan Avenue Dearborn, MI 48124-2224

September 16, 2010

Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

This letter is in response to the request for comment on the exposure draft titled "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I am the Chairman and President of Dearborn Federal Savings Bank, a federally chartered mutual thrift institution with \$265 million in assets headquartered in Dearborn, Michigan, and I am writing to express my views on specific provisions of the exposure draft.

## I. COMMENTS ON FAIR VALUE

As a community lender, with the primary focus on 1-4 family residential lending, I am strongly opposed to the portion of the proposal that requires all financial instruments - specifically loans - to be reported at fair value (market value) on our balance sheet.

While we have on rare occasions sold loans to rebalance our interest rate risk metrics, we have not sold loan in over 10 years. If we were to base our balance sheet on fair values, the readers of our financial statements would incorrectly assume that we will sell our loans, which is clearly not a part of opur business strategy.

If there are issues with a borrower's ability to repay a loan, we have always worked through the collection process with the borrower rather than sell the loan.

As a community based lender, with the overarching business strategy to portfolio all of our loans, many of our loans may not be "conforming" as defined, and therefore there would not be any active market for such loans. To attempt to estimate a market value makes little to no sense, and would futher cloud the reliability of the balance sheet information.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer, and we have proven that we can profitably hold and service loans, in most cases it would be financially detrimental to sell.

Marking all loans to market would cause our bank's capital to fluctuate in concert with fluctuations in the markets, regardless of the performance characteristics of the portfolio. It is unclear to me how that would translate into better and more usefull information to the readers of our financial statements.

Even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our customers and depositors.

The additional costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value. it could also lead to "consultant shopping" in order to obtain the most favorable results, which cannot possibly be FASB's desired result.

In addition, comparability between banks would be rendered useless based upon the vagaries inherent in the requirement, and the many different judgements ultimately utilized by the various consultants.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

## II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have serious concerns about how such changes can be implemented by banks like mine.

I recommend that any final model be tested by banks my size in order to ensure that the model is solid and workable.

It is very important that any new processes are agreed upon and well understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that naturally comes from the provisioning process. The current method should be maintained.

Thank you for considering my comments.

Sincerely,

Dearborn Federal Savings Bank

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