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September 16, 2010

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

RE: File Reference #1810-100

Dear Mr. Golden:

I am writing to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

As President and CEO of Chelsea State Bank, a $220,000,000 community bank in Chelsea, Michigan, I am writing to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments – including loans – to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans, period. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will.

There is no active market for most of our loans anyway, and estimating a market value makes no real sense.

Our business model is based on customer service and **relationships.** Even if we could obtain a market price for a loan, it is just one part of the financial relationship that we have with the customer (multiple loans, investment, deposit and cash management services), so there is no incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets – even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal could mask it.

And, even if the banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors, customers and depositors. Believe me, every year we need to explain our fair value of financial instruments footnote to investors. It is often questioned (the contents of the fair value footnote), but no one has ever said it was valuable information.

Finally, the costs and resources that we will need to comply with this new requirement would be significant. We'll have to pay consultants or auditors to estimate market value, and for whose benefit?

Our investors have expressed no interest in receiving this information. We believe our investors would not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

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

Thank you very much for considering my comments.

Sincerely,

John K. Mann
President & CEO