

24300 Little Mack • St. Clair Shores, MI 48080 866.372.1275

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 1810-100

Email Address: director@fasb.org

Dear Mr. Golden,

On behalf of First State Bank of East Detroit ("First State Bank"), I am commenting on the exposure draft *Proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.*

First State Bank is a very closely-held community banking institution with \$610 million in assets. Upon considerable discussion of the relevant issues related to the Proposal, the senior management and Board of Directors of First State Bank have unequivocally concluded that the proposed guidance for financial instrument accounting is unneeded, unwanted and of no value in improving the transparency or usefulness of our financial statements. To the contrary, the proposed changes, with or without the substantial costs to implement them, would result in considerable confusion and misinterpretation.

Additionally, all banks, including First State Bank, would be unjustly burdened, if not penalized, by the scope of the proposed changed to fair-value accounting. Running such valuation changes (if they can even be determined with any degree of accuracy - highly questionable) through the income statement, is a recipe for extreme volatility in earnings and capital levels. In our view, the reliability and usefulness of bank financial statements would be severely damaged.

At the core of our opinion, we are most concerned simply with the fact that that the proposed changes are at great odds with the way in which we try to run our business. Our strategies are based on a long-term approach to asset generation and holding period. We do not manage to short-term valuation changes, and certainly not if those estimated changes are based on speculative assumptions. We have often heard the term "liquidation accounting" to describe the proposed accounting methods. We think that's an accurate impression and we know for certain that we do not run our bank in a manner that turns franchise value into liquidation value. The "market" doesn't know how our loans are performing, we do. If a loan is not performing up to expectations, we don't run out and sell it, we "work it out" with the borrower.

An overriding concern with fair value accounting is that when markets become stressed, financial institutions would be forced to use asset prices that do not reflect actual cash flows or borrower prospects going forward. Historical cost accounting and its current variants do a fine job for our purposes and we should be allowed to continue to use it. Leaving well enough alone is our hearty recommendation.

First State Bank has very few shareholders; the ones we do have are very active in the management, direction and finances of the company. Never have these highly involved owners, or any other potential investor, regulator or consultant of any kind expressed an interest in financial information related to the "fair-value" of our balance sheet, or to the "market value "of our loans". If this type of information is not important to a very concentrated ownership, it would seem even less likely to be of use to small investors in public firms with a large number of shareholders.

As bankers, and indeed personally as investors, we are recommending that the Board reconsiders its proposal to greatly modify accounting guidance for financial instruments. We feel strongly that it is misguided and potentially destructive.

Thank you for allowing us to present our views and we welcome any comments or questions you may have.

Sincerely,

William C. Nill

Chairman of the Board