From: dhcleven@communitysavingsbank.com
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: Saturday, September 25, 2010 1:19:26 AM

Dane Cleven
4801 W. Belmont Avenue
Chicago, IL 60641-4330

September 24, 2010

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

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."

I am the President and CEO of Community Savings Bank, a banking institution in Chicago, Illinois with approximately $425 Million in total assets. I am writing to express my opinions on specific provisions of the exposure draft.

Community Savings Bank is a single location, neighborhood thrift institution. It is mutually owned. It is also a portfolio residential lender. Community has helped local residents own homes and save for the future for over 65 years. Community's Tier 1 Capital exceeds 15%.

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 - liquidation value) on the balance sheet.

Our bank does not sell our loans. Basing our balance sheet on market / liquidation values, which would swing significantly over the lives of the loans, would severely disrupt our business model. It would therefore be very harmful to local residents and consumers who we serve and have served for several generations. It would also lead readers of our financial statements to assume that we will sell the loans, which is not the case.

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

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, the proposal would mask it. Even if the banking regulators' Tier 1 capital excludes market / liquidation value fluctuations, we still will have to explain the accounting it to our customers and depositors. It would also create unnecessary uncertainty among our customers and interested parties.

The 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. The proposal would result in the immediate liquidation value of an entity as the sole determinate of its value. This is inappropriate for an ongoing concern, and would add much confusion for the consumer. Such a liquidation value may be appropriate for a footnote, but it should not determine capital levels without consideration of other important factors of valuing a business, such as the ability of an entity to hold assets to maturity, past and future condition that can affect prices, and the like. Valuation should not occur in a vacuum.

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

It is also my understanding that a number of the major accounting firms oppose the market / liquidation value of accounting that has been proposed.

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 be 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 comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

773-794-5259
President
Community Savings Bank, Chicago