



Sheila C. Bair, Chairman
FDIC
550 17th St., NW
District of Columbia, 20429

March 10, 2009

Dear Ms. Bair:

Allegheny Valley Bank of Pittsburgh has been part of the Pittsburgh community since 1900, and we have served faithfully through booms and busts, depressions and expansions, and everything in between by running our business prudently and lending responsibly.

Allegheny Valley Bank has not been part of the economic mess our nation is facing. We continue to remain stable, actively lending, and open for business. We have watched silently from Main Street as billions upon billions of dollars have been thrown at the mega-banks and Wall Street institutions and wondered, "Why?"

Our bank has always been a good corporate and community citizen. We thrive and survive based on our local decision making and commitment to making Pittsburgh a greater place. The community we live in and Allegheny Valley Bank need each other—not Wall Street—and that is why we are writing to you expressing our frustration with the unfolding events in Washington. Main Street community banks did not participate in the high risk practices that led to the current economic crisis, but are being asked to pay for the sins of Wall Street. We are being asked to pay (under the original FDIC proposal on February 27) a 20-basis-point special emergency assessment to help bolster the FDIC deposit insurance fund.

Let me be perfectly clear—we understand the importance of the solvency of the FDIC fund. We are questioning if this special assessment, reduced to 10-basis-points due to our outrage and opposition, is the best method in the midst of our current economic mess. Even a one-time special assessment has a dramatic impact on our local lending ability. In the first year alone, for example, a 10-basis-point special assessment would eliminate some \$4,125,000 in lending out of the hands of a typical \$500 million dollar community bank. That's \$4,125,000 in potential lending from just one bank. The overall cumulative loss in loans over 10 years from this assessment would be over \$29,680,000—again, just from one bank.

In this time when the government is screaming for increased lending, it is amazing that anyone would want to take millions and even billions of local lending off the table. You must help prevent this proposed emergency assessment. To rebuild the Deposit Insurance Fund (DIF), our bank proposes that the FDIC change the structure of the assessment base and levy a systemic risk premium on the too-big-to-fail institutions that helped to trigger the problems that led to the fund being depleted. These same institutions have required massive governmental capital infusions which have ultimately added to our national debt. Had these extra capital infusions come from the FDIC DIF, that fund would have been depleted immediately. We strongly recommend the following:

Main Office	BLAWNOX	GREEN TREE	MONROEVILLE	SHALER	PITTSBURGH OFFICE	PENN AVENUE	MT. TROY
LAWRENCEVILLE	201 Freepoint Road	Four Parkway Center, Suite 100	2686 Monroeville Boulevard	900 Mt. Royal Boulevard	Lawyers Building	4314 Penn Avenue	2000 Mt. Troy Road
5137 Butler Street	Pittsburgh, PA 15238	875 Greentree Road	Monroeville, PA 15146	Pittsburgh, PA 15223	428 Forbes Avenue	Pittsburgh, PA 15224	Pittsburgh, PA 15212
Pittsburgh, PA 15201	(412) 828-6030	Pittsburgh, PA 15220	(412) 856-4022	(412) 486-4245	Pittsburgh, PA 15219	(412) 325-0620	(412) 322-6107
(412) 781-0318		(412) 928-8530			(412) 338-9036		

- **The assessment should be based on bank assets, not just domestic deposits. As has been proven by the current events, the risk financial institutions present to the country goes far beyond the amount of banks deposits. More leverage means more risk.**
- **Accounting rules should be changed. Mark to market accounting practices have caused this crisis to escalate far beyond the reality of the situation. The temporary reduction of buyers in a brief period of uncertainty causes irrational pricing. Information regarding current valuation would be better communicated through detailed footnote disclosure rather than causing great fluctuations in balance sheet assets/liabilities and earnings. The current practice causes significant investor confusion.**
- **A systemic risk premium should be levied on large banks. The Government has allowed and indeed forced certain institutions to become so large that the country is too dependent upon their continued survival. They must pay an increased premium for this right to exist no matter how poorly they have been managed.**
- **The Government must consider limiting the percentage of the overall deposits and loans any one financial institution can represent in this country. We have put ourselves at risk by allowing these mega banks to be too important. Anti-Trust Laws need serious re-visioning.**
- **In the future, FDIC premiums must be risk based. Those institutions that present the most risk need to pay a higher premium. The FDIC deposit insurance fund is fundamentally insurance and needs to be funded similar to any other type of insurance. The young and healthy do not pay the same life insurance premiums as the ill or elderly, do they? Then why are all banks paying the same FDIC premium rate *without* regard to their financial health and stability?**

Please support Senate Banking Committee Chairman Christopher Dodd's effort to allow the FDIC to temporarily borrow as much as \$500 billion from the Treasury Department. Allowing the FDIC access to immediate capital from the Treasury in the event of multiple bank closures would eliminate the need for a special emergency assessment to be levied upon banks.

Thank you for your leadership and courage during these troubled times. Hopefully that courage and support extends to cover the prevention of such a crippling event as the assessment of a 20-, 10-, or even 5-basis-point special assessment.

Finally, we stand ready to help in any way we can. As a Community Banker I am willing to work with your staff or provide testimony on any area covered in this letter.

Giving Our All for the Greater Good of Our Country,



Andrew W. Hasley
 President and Chief Executive Officer
 Allegheny Valley Bank of Pittsburgh

cc: Sheila C. Bair, Chairman, FDIC
 Pennsylvania Senators
 Pennsylvania Congressional Delegates
 Frank Pinto, President and CEO, Pennsylvania Association of Community Bankers