

# Parkvale

FINANCIAL CORPORATION

March 16, 2009

4220 WILLIAM PENN HIGHWAY, MONROEVILLE, PA 15146-2774 (412) 373-7200

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

RE: RIN 3064-AD35

Dear Mr. Feldman:

On Friday, February 27, 2009, the FDIC announced it would impose a 20-basis-point special assessment on all domestic deposits as of June 30, 2009, to help recapitalize the Deposit Insurance Fund (DIF). This special assessment would be in addition to the regular assessment for 2009, which for most banks will be between 12-16 basis points.

On March 5, 2009, as a result of the unprecedented outreach efforts of the nation's community banks, FDIC Chairperson Sheila Bair announced that the FDIC could reduce the special assessment to as low as 10 basis points if Congress enacted legislation that would increase the FDIC's borrowing authority (currently \$30 billion) from United States Treasury (Treasury).

Senate Banking Committee Chairman Christopher Dodd has introduced legislation "The Depositor Protection Act" that will permanently raise the FDIC's line of credit from the Treasury to \$100 billion and temporarily increase the borrowing authority to \$500 billion until December 3, 2010. The Dodd bill, if it becomes law, would represent an alternative source of funding for the FDIC and allow sufficient time to work out a permanent solution for bringing the DIF reserve ratio back to the mandated 1.15 percent.

Scaling back the assessment to 10 basis points is a good first step, and we are very grateful to Chairperson Bair for being responsive to the industry's needs; but more needs to be done. The reduction to the assessment will lessen the impact of this expense burden, but the burden remains and additional alternatives should be considered by the FDIC Board that would eliminate the need for a special emergency altogether.

Before we discuss an additional alternative, I would like to point out what this burden means to Parkvale Bank. Over and above any special emergency assessment, whether it is 20 or 10 basis points, Parkvale Bank's FDIC insurance premium cost has gone from \$180K in 2006 to \$730,000 in 2007 to \$990,000 in 2008 and is projected to go to \$2,240,000 in 2009 and

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\$2,250,000 in 2010 with all premiums based on essentially the same deposit base (see attached Exhibit I). **The proposed 20-basis-point special emergency assessment would add an additional \$3 million to our calendar year 2009 FDIC Insurance costs for a total of \$5,071,000 for the year.** That represents approximately 40% of our after tax net income in a good year, 50-60% of our projected after tax net income for calendar year 2009 given the need for additional loan loss reserves and possible impairment changes. A burden – absolutely!

From an alternative standpoint, I am proposing a very simple solution. The Reform Act requires the FDIC to establish and implement a Restoration Plan that would restore the reserve ratio to at least 1.15 percent within five (5) years, absent extraordinary circumstances. The FDIC amended the Restoration Plan and extended the time within which the reserve ratio must be returned to 1.15 percent to seven (7) years citing extraordinary circumstances, at the same time the FDIC proposed the 20-basis-point special emergency assessment. **My recommendation is to extend the time within which the reserve ratio must be returned to 1.15 percent to 15, 20, 25 or even 30 years to spread the burden over a longer period of time, lessening its impact on any one (1) year.** Clearly what the industry is currently experiencing qualifies as extraordinary circumstances, which is an acceptable reason for making the change. I do not know many people who pay off the mortgage on their home in five or seven years. The most popular term for mortgages is 30 years. This does not stop the borrower from paying their debt off earlier, but extending the maturity of the mortgage to 30 years does reduce their monthly mortgage payment and provide more flexibility to lead their lives in a normal manner.

In summary, my solution is to extend the time within which the reserve ratio must be returned to 1.15 percent to 25 or 30 years during these extraordinary times. At a time when financial institutions should be serving the needs of their communities and revitalizing the economy, this would mitigate the impact to banks of restoring this fund to 1.15 percent in seven (7) years. As the outlook for the economy and the financial services industry improves, the issue could be revisited with the thought of possibly shortening the time from 25/30 years to 15 years.

Sincerely,



Robert J. McCarthy, Jr.  
President and Chief Executive Officer

RJM:dmc

Attachment

Parkvale Bank  
 FDIC deposit insurance assessments  
 History of past payments and future estimates

Actual amounts paid over the past 8 quarters

Date paid	Amount	Based on deposits of	base period	FICO A	Ins. Pd	Credit used	True ins cost B	annual cost		
								in basis points	Remaining Credit bal	total FDIC cost A + B
3/30/2007	43,641	1,430,860,273	12/31/2006	43,641	-	-	-		1,503,304	43,641
6/29/2007	41,388	1,452,208,000	3/31/2007	41,388	-	(183,704)	183,704	5.06000	1,319,600	225,092
9/28/2007	42,102	1,477,255,000	6/30/2007	42,102	-	(184,657)	184,657	5.00000	1,134,943	226,759
12/28/2007	42,168	1,479,592,000	9/30/2007	42,168	-	(192,791)	192,791	5.21200	942,152	234,959
			subtotal	169,299			561,152			730,451
3/28/2008	41,061	1,466,472,000	12/31/2007	41,061	-	(196,507)	196,507	5.36000	745,645	237,568
6/30/2008	61,417	1,478,158,000	3/31/2008	41,388	20,029	(180,261)	200,290	5.42000	565,383	241,679
9/30/2008	61,905	1,495,291,000	6/30/2008	41,121	20,785	(187,061)	207,845	5.56000	378,322	248,966
12/31/2008	64,796	1,504,084,000	9/30/2008	42,866	21,930	(197,366)	219,295	5.83200	180,957	262,162
			subtotal	166,437			823,939			990,375
Projections through 2010 estimated using proposed rules as of 2/27/2009 are as follows:										
3/31/2009	372,389	1,487,334,000	12/31/2008	42,389	330,000	(180,957)	510,957	13.74155	0	553,346
6/30/2009	562,465	1,490,000,000	3/31/2009	42,465	520,000	-	520,000	13.95973		562,465
9/30/2009	562,750	1,500,000,000	6/30/2009	42,750	520,000	-	520,000	13.86667		562,750
Spec 9/30		1,500,000,000	6/30/2009	-	3,000,000		3,000,000	80.00000		3,000,000
12/30/2009	562,750	1,500,000,000	9/30/2009	42,750	520,000	-	520,000	13.86667		562,750
			subtotal	170,354			5,070,957			5,241,311
3/31/2010		1,500,000,000	12/31/2009	42,750	520,000		520,000	13.86667		562,750
6/30/2010		1,500,000,000	3/31/2010	42,750	520,000		520,000	13.86667		562,750
9/29/2010		1,500,000,000	6/29/2010	42,750	520,000		520,000	13.86667		562,750
12/29/2010		1,500,000,000	9/27/2010	42,750	520,000		520,000	13.86667		562,750
			subtotal	171,000			2,080,000			2,251,000

proof of calculation of deposits times one basis point = subtotal times 20 basis points = \$3 million times .65 for tax benefit = nearly \$2 mil.

\$ 1,500,000,000      0.01%      150,000      20      \$ 1,950,000

then divide by shares outstanding to calculate the impact on either the 6/30/09 or 9/30/09 earnings.

shares outstanding est      5,430,000      EPS cost is      \$      0.36      when evaluating the impact of the special assessment only