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5/26/2011

Robert E. Feldman,
Executive Secretary,
Federal Deposit Insurance Corporation

550 17th Street N.W.,
Washington, DC 20429

Re: Adjustment Guidelines

Mr. Feldman:

Thank you for the opportunity to comment on the *Proposed Assessment Rate Adjustment Guidelines for Large and Highly Complex Institutions.*
We, Susquehanna Bank, are a $14 billion asset regional community bank serving customers in four states through 221 branches. Recent regulatory changes and proposed rules have had, and will continue to have, financial consequences that will impact our ability to serve our customers in the way that differentiates us from our competitors. *J.D. Power and Associates* ranked us, Susquehanna Bank, #1 in customer service in the mid –Atlantic region among commercial banks. We take pride in making our Customers our #1 priority. At Susquehanna Bank we are committed to building the economic strength of the communities we serve in Pennsylvania, New Jersey, Maryland and West Virginia.

Under the current FDIC rules, Susquehanna Bank falls into the Large Institution category (greater than $10 billion) and, therefore, is subject to rules governing such institutions for the purpose of FDIC deposit insurance payment. Under the *Guidelines* we believe that a better qualitative and quantitative approach should be used to assess risks under the scorecard measure. We understand that the current scorecard analysis is based on the experience the FDIC encountered in disposing of the assets of recently failed institutions in a very stressed and volatile market between 2008 and 2010. It should be noted that the loss of given defaults between the dates noted is a function of previous time periods when those default rates were substantially understated and where the associated assets were actually generated. This being said the loss rates should be evaluated over a longer time horizon. The failed institutions failed for many reasons including poor risk management and underwriting practices and, therefore, the quality of their portfolios were very much questionable, which led the liquidation market to price in the risks associated with the portfolios. This time period also represented the most severe economic downturn since the Great Depression.

Susquehanna Bank maintains, in large part, loan and lease portfolios that presents less credit risk exposure than the referenced failed institutions. Our leases, for example, saw a loss of 1.6% (the highest ever) at the peak of the stressed period in 2009 yet would be subjected to 51% loss rate in the current scorecard method. In addition, residual insurance via a 3rd party guarantee's the bank's auto leasing portfolio. Our revolving credit lines highest loss rate was 0.26% in 2008 yet is scored at 41% loss rate under the new FDIC scorecard. As we look through our loan and lease portfolios we see that the actual loss rate in every category is well below the liquidation loss rate the FDIC uses in the scorecard methodology. This disparity translates into higher premiums that we, Susquehanna Bank, must divert away from our core business and, subsequently, puts us at a competitive disadvantage through increasing fees to our customers to offset the additional cost.

Susquehanna Bank believes that a more qualitative/quantitative methodology based upon our historic results should be applied so that the scorecard would better reflect the current risks of our portfolio. We would welcome the opportunity to meet with you at your convenience to discuss the details of the methodology. Susquehanna bank is more than willing to pay its fair share to the Deposit Insurance Fund based on current market data. Any funds saved under the program go directly towards making Susquehanna Bank more able to support economic growth in the markets we serve.

Thank you for your kind consideration and the opportunity to comment. We look forward to continue working with you successfully.

Respectfully,

Mark J. Cvrkel
Chief Financial Officer/Treasurer
Susquehanna Bank