



"Established 1890"

Robert E. Feldman
Executive Secretary

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Attention: Comments, Federal Deposit Insurance Corporation

550 17th Street NW
Washington, DC 20429

March 3, 2020

**Re: Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions
RIN 3064-AE94**

Dear Secretary Feldman,

I am writing on behalf of Pony Express Bank, a 130-year-old community bank that serves the Kansas City and rural northwest Missouri area. As President and CEO, I am submitting my comments on the FDIC's notice of proposed rulemaking regarding brokered deposits restrictions. I have a number of concerns with the definition of "deposit broker" and the primary purpose exception.

As one of the last family-owned community institutions still in the area, I am worried that the new proposed rules would limit our ability to compete with the larger banks. We currently use third party providers for new products and innovation including Strunk's overdraft protection program, Kasasa's marketing tools including digital, brand awareness, rewards management and more as well as CDARS program. Without the ability to have competitive retail offerings through third parties, we'd lose customers to regional and megabanks. Our community would also lose what makes our bank unique—which is the face-to-face, personalized banking.

In my opinion, it seems as if the FDIC has not considered the adverse economic impact the proposed rule will have on my ability to offer competitive checking accounts in my market. The new proposed rule would require me to make one of two decisions—bear the brunt of the deposits being treated as brokered or eliminate the use of third parties and withdraw the account and replace the associated deposits with other sources of funds such as 1 or 5 year CDs. This would be an expensive alternative as the non-interest income generated within these accounts

offsets the interest and non-interest expense of these accounts, which will not happen if these funds have to be replaced with CDs, as evidenced by my analysis below. It would cost our bank more than a million dollars per year. It will also likely cost me those depositor relationships because I can no longer offer an attractive checking account.

	3 rd Party Assisted Deposits	1 Year CD	5 Year CD
Average Balance of Reclassified Funds	\$ 29,859,674.19	\$ 29,859,674.19	\$ 29,859,674.19
Cost of Funds	0.02%	1.215%*	1.872%*
Interest Expense	\$ 6,160.80	\$ 362,795.04	\$ 558,973.10
Non-Interest Expense	\$ 89,172.08	\$ 0	\$ 0
Non-Interest Income	\$ 801,604.20	\$ 0	\$ 0
Net Cost of Deposits	\$ (706,271.32)	\$ 362,795.04	\$ 558,973.10
Net Percentage Cost	-0.02%	1.215%*	1.872%*
Total Savings vs CDs		\$ 1,069,066.36	\$ 1,265,244.42

* Source: <https://www.depositaccounts.com/cd/#rateTrend>

Given, the negative impacts, I feel there must be a way to craft the rule where it strengthens the industry, benefits our customers and protects the economy and community banks. I would like to suggest the following changes to the rules:

- Implement a standard to determine who is and is not a deposit broker with clear bright lines.
- All transaction and relationship-based deposits that have a direct relationship between the bank and the individual depositor should be exempted from being a brokered deposit.
- Third-party service providers with no relationship with the depositor should not be included as a brokered deposit.

- Provide absolute clarity that the primary purpose exception for placing deposits to enable transactions applies solely to prepaid cards and Health Savings Acts (HSAs). As currently written, I fear that it might be interpreted to apply to any deposit account that offers an economic benefit to a customer. Such an interpretation would eliminate my ability to provide account-opening incentives, reward programs, marketplace points and customer loyalty benefits. These are the very types of deposit accounts consumers are looking for and are being offered by my too-big-to-fail competitors and the non-bank entities that are constantly courting my customers.

As a fourth-generation community banker, I feel it is my obligation to express my concerns with the FDIC to ensure community banking remains in our country. I appreciate the opportunity to share my thoughts with you and thank you for your attention in this matter.

Regards,



Scott Page
President and CEO,
Pony Express Bank