From: John Miller
To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064-AF-99 Response
Date: Wednesday, September 4, 2024 3:50:30 PM
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[redacted]

Federal Deposit Insurance Corporation
Attention: Comments on Proposed Rulemaking
550 17th Street NW
Washington, DC 20429

Subject: Comments on Proposed Rulemaking – Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions

Dear Sir/Madam,
I am writing on behalf of Summit National Bank, a community bank with 40 years of service to rural mountain west communities in Wyoming, Montana, and Idaho. This letter is to express our concerns regarding the FDIC's proposed rulemaking on brokered deposits as outlined in the notice titled "Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions." As a community bank with approximately $100,000,000.00 in total assets, we believe the proposed rule changes could significantly and negatively impact our operations, and by extension, the communities we serve.

Key Concerns:

1. Broadening the Definition of Brokered Deposits:
    - The proposed expansion of the "deposit broker" definition to include more third-party relationships would disproportionately affect community banks like ours. Many community banks rely on relationships with local financial advisors, small business intermediaries, and other third parties who facilitate deposits as part of holistic financial services for our customers. These relationships are not the same as those brokered by large institutions and do not present the same risks. Including these relationships in the brokered deposit category would unnecessarily increase our regulatory burden and misclassify the stability of these deposits.

2. Elimination of the Single-Bank Exception:
    - Removing the Single-Bank Exception would place an undue burden on community banks that do not engage in complex or high-risk deposit brokering. For a community bank like ours, where third parties may place deposits exclusively with us, these funds are often stable and long-term, driven by local relationships rather than speculative or volatile market activities. This exception is crucial in ensuring that community banks can continue to serve our customers

without being unfairly penalized.

3. Impact on Access to Stable Funding:
   - The reclassification of more deposits as brokered under the proposed rules could force us to limit or even reduce our use of brokered deposits, which have been a critical and reliable source of funding. This could hinder our ability to meet the credit needs of our local community, particularly in underserved or economically challenged areas where community banks play a vital role in economic development.

4. Increased Regulatory and Operational Costs:
   - The proposed changes would increase our compliance costs and administrative burdens, diverting resources away from essential community banking services. As a smaller institution, we do not have the extensive compliance infrastructure that larger banks possess, making these additional burdens particularly challenging. The cost of reassessing and potentially reclassifying deposits would be disproportionately high for small banks and could limit our capacity to provide affordable banking services.

5. Increased Regulation and Limited Flexibility:
   - If these changes are implemented, banks like ours that rely on broker-dealer sweep deposits could face stricter regulations. The new rules could result in more of our deposits being classified as brokered deposits, which are generally considered riskier. This could lead to higher regulatory scrutiny, increased costs, and potentially limit our ability to maintain a flexible and competitive funding strategy. Moreover, smaller or unaffiliated banks would find it harder to compete with larger institutions that have broker-dealer affiliates, as they would be subject to these stricter rules without the benefit of exceptions.

6. Negative Impact on Community Banking and Economic Stability:
   - Community banks are the lifeblood of many local economies, providing critical financial services to small businesses, farmers, and individual consumers. The proposed rule changes could limit our ability to attract and retain deposits, thus reducing our lending capacity and potentially destabilizing the local economy. We believe that the risks associated with brokered deposits, as addressed in the proposal, are more relevant to large, complex institutions rather than community banks with straightforward, relationship-based business models.

Conclusion:
We respectfully urge the FDIC to reconsider the proposed changes to the brokered deposit rules. While we understand the need to address risks in the banking sector, we believe that the current proposal casts too wide a net and inadvertently places undue pressure on community banks. We recommend that the FDIC maintain the Single-Bank Exception and consider a more nuanced approach to the definition of brokered deposits that takes into account the unique role and stability of community banks.

Thank you for the opportunity to comment on this important matter. We appreciate your consideration of the impact these changes could have on small, community-focused institutions like ours, and we are happy to provide further insights or data to support our position.

Sincerely,

John Miller
President
Mode Eleven Bancorp & Summit National Bank

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