WEX Bank
7090 Union Park Center, Ste 350
Midvale, UT 84047

WEX BANK

March 4, 2016

Mr. Robert E. Feldman
Executive Secretary
Comments
Federal Deposit Insurance Corporation
550 17th St.
Washington, DC 20429

VIA EMAIL TO: comments@FDIC.gov

Re: RIN 3064-AE37 Request for comments regarding proposed rulemaking to amend 12CFR part 327 to refine the deposit insurance assessment system.

Dear Mr. Feldman,

We appreciate the opportunity to respond to the Request for Comments (RFC) published in the Federal Register on February 4, 2016 and are grateful that the FDIC is seeking for real life situations that may demonstrate the unintended consequences of its efforts to find a fair basis for calculating deposit insurance premiums reflective of the risks presented by individual banks. We are submitting the following comments on behalf WEX Bank, an industrial bank located in Salt Lake City, Utah.

Our bank has a strong disagreement with the proposed new methodology for calculating deposit insurance premiums. The FDIC has stated that its intent is to more fairly allocate risk among its constituent banks with its proposed formula. We cannot agree with a formula that will result in our insurance assessment increasing , or an increase of 172%. Nothing in our bank has changed. We remain one of the most profitable and safest banks in the nation. We have shown repeated strong CAMELS ratings through a variety of economic cycles. In this case, there is just no correlation between our banks' financial condition – which, after all, is the best predictor of a risk of failure – and the premium changes that would occur under the new premium calculation methodology. This substantial increase is also at odds with the FDIC's own statement that some banks would only see modest increases in their premiums and others would see a decrease. We cannot understand the logic behind increasing an extremely strong bank's premium more than 172% to subsidize another weaker bank's premium, yet that is exactly the result the proposal would deliver.

Two errors in particular in this methodology seem evident from our review of the RFC.

WEX Bank
7090 Union Park Center, Ste 350
Midvale, UT 84047

WEX BANK

One is using industry average loss rates as a factor for loan classes regardless of the quality of the loans in a particular bank. We see no justification for applying the same risk rating to a bank using very high underwriting standards and a long record of above average loan performance as to a bank that makes higher risk loans and has a history of high charge offs. Our bank makes loans to commercial enterprises in every state and in every industry through our primary loan product of a closed loop fuel charge card. The limitations of Call Reporting require us to have these loans in the same category with other bank's commercial and industrial loans. Our loans are typically relatively small and we have loans with hundreds of thousands of customers. Our loss rate is very low and is recognized as such each year during our safety and soundness examination. To compare this loan portfolio to those of other institutions is totally incongruous. The asset rating in a bank's CAMELS ratings should be the only factor considered with regard to the bank's asset quality. That is the best indicator of the expected losses in a bank's portfolio, not a generic one size fits all factor for all banks.

The second error is continuing to penalize banks for holding brokered deposits. While some failed banks held high levels of brokered deposits, the proposed formula fails to recognize that brokered deposits are also held by some of the strongest and lowest risk banks insured by the FDIC. Increasing premiums for holding brokered deposits can only be justified if brokered deposits are inherently risky, which is simply not the case. On the contrary, brokered deposits are now unquestionably the most stable deposits a bank can hold, and have been so for several years. Our bank has effectively and efficiently utilized brokered deposits in various forms since our inception almost 20 years ago. We have certificate of deposits, money market, and NOW accounts; all considered to be brokered under the current definitions. We are able to obtain funds very economically and match maturities with our very short duration loan portfolio. This allows us to roll off deposits in economic cycles when fuel prices drop quickly as we have seen in the past year. It also allows us to bring on more deposits as fuel prices rise as we saw back in 2010 and expect to see in the future. We consistently receive comments from our field examiners on the prudent use of these funds, and they recognize that these funds work very well for our model, where so called "core deposits" would not work well for us at all. There is simply no inherent risk in the use of brokered deposits and no statistical evidence to show a cause and effect to brokered deposits and bank failures. The risk lies in how a bank utilizes its deposits. While banks that failed may have used brokered deposits, the root cause is how the bank underwrote its loans and that is reflected in the CAMELS asset rating. Bank examiners frequently caution banks regarding rapid growth or entering new markets or deploying new products and this is again reflected in the CAMELS asset rating. It appears that the FDIC may view brokered deposits in a negative light due to the diminished franchise value that the deposits may have once a bank has been taken into receivership. While that may be the case, it should not be the basis for a bias against the proper and prudent use of these types of deposits by safe and sound banks.

WEX Bank
7090 Union Park Center, Ste 350
Midvale, UT 84047

WEX BANK

We join other banks in urging the FDIC to remove these two factors used to calculate premiums under the new formula. Brokered deposits and loan mix should be eliminated. CAMELS ratings should be the core of any risk assessment. CAMELS captures the key risk variables and include an assessment of trends and conditions that may pose risks for future problems that are not manifested now.

We hope you find these comments helpful.

Sincerely,

Kirk S. Weiler

Kirk S. Weiler
President/CEO
WEX Bank