Massachusetts Bankers Association

March 7, 2016

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation (FDIC)
550 17th Street NW
Washington, DC 20429

RE: RIN 3064-AE37

To Whom It May Concern:

The Massachusetts Bankers Association (MBA) appreciates the opportunity to provide comments on the Revised Notice of Proposed Rulemaking for Insurance Assessments ("Proposal"). In July 2015, the FDIC published a notice of proposed rulemaking (2015 NPR) that discussed new methods to calculate deposit insurance assessments for insured depository institutions. MBA serves 170 member banks located throughout Massachusetts and New England, with a significant number of "established small banks"[1] as defined by both proposals included in our membership.

In response to the many comments received from banks and trade associations, the FDIC now proposes to revise the 2015 NPR by incorporating a brokered deposit ratio that treats reciprocal deposits in the same fashion as in current regulations, removing the existing brokered deposit adjustment for established small banks, and revising the previously proposed one-year asset growth measure. Additionally, the revised NPR provides that future changes to the new statistical models will go through a notice-and-comment rulemaking process.

MBA Comments on the Revised Proposal

- ***The Brokered Deposit Ratio and Adjustment for Small Banks***

The FDIC now proposes an alternative brokered deposit ratio that measures the ratio of brokered deposits to total assets. Assessment rates would only increase for established small banks holding brokered deposits in excess of 10 percent of total assets. Well-capitalized banks with CAMELS I or II ratings will have reciprocal deposits deducted from the brokered deposits measure. Banks that are less than well capitalized or that have CAMELS ratings of 3, 4 or 5 will continue to have reciprocal deposits included with other brokered deposits. While the MBA argues that reciprocal deposits often exhibit the same characteristics as otherwise defined "core deposits", this key revision resolves many of the issues with the 2015 NPR. The revision also balances small bank options relative to sources of funding between reciprocal deposits or Federal Home Loan Bank (FHLB) advances.

[1] Defined as FDIC-insured institutions with $10 billion in assets or less that have been insured for at least 5 years

- ***The One-Year Asset Growth Measure***

The revised proposal also penalizes small banks that have a one-year asset growth increase greater than 10 percent. The MBA has serious concerns with a flat coefficient for growth, as stated in its previous letter. We appreciate the FDIC's efforts to modify the proposal to allow for relative and stable growth; however, we would caution that growth of 10 percent in one calendar year does not always constitute rapid and risky growth. MBA feels strongly that the regulatory examination process identifies risk appropriately, and the best manner to impose assessment increases remains a system that gives greater emphasis to regulatory review. No formulaic system for assessments will ever be as fluid as the regulatory review process. Nevertheless, the growth factor of 10 percent is a reasonable step forward, and we look forward to engaging the FDIC in subsequent comment periods as it continues to revise the assessment process.

- ***Notice-and-Comment Rulemaking Periods for Future Changes***

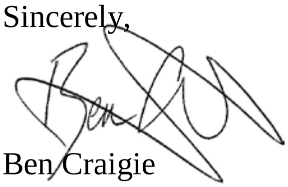
The FDIC proposes that any future changes to the statistical model underlying the established small bank deposit insurance assessment system will go through a notice-and-comment rulemaking period. MBA always appreciates the opportunity to comment on proposals that affect its members and we look forward to the continuation of this process. The opportunity to comment on the statistical model over time will allow for appropriate evaluation of many of the assumptions, most crucially failure and charge-off data. Additionally, comment periods will provide trade associations and banks with varying business models and geographic locations with the opportunity to observe and remark on unintended consequences for established small banks.

Conclusion

While the Association has some concerns with the 2015 NPR, the proposed changes that establish a brokered deposit measure and adjustment for established small banks and the change to the one-year growth measure represent significant improvements from the initial proposal. In addition, we applaud the FDIC's inclusion of mandatory notice-and-comment rulemakings relative to future changes to the statistical model underlying the established small bank deposit insurance assessment system. Many of the changes in the revised proposal will help ease the potential adverse consequences of the 2015 NPR.

On behalf of our members, thank you for this opportunity to comment on the Revised Proposal. If you have questions or need additional information, please contact me at (617)-502-3820 or via email (bcraigie@massbankers.org).

Sincerely,



Ben Craigie
Director of Compliance