OFFICE OF THE CHAIRMAN
CORRESPONDENCE ASSIGNMENT

OC 16-0045 ASSIGNED TO: DIR DATE: 03/15/2016

CORRESPONDENT: ROBERT MAHONEY
PRESIDENT & CHIEF EXECUTIVE OFFICER
BELMONT SAVINGS BANK
TWO LEONARD STREET
BELMONT, MASSACHUSETTS 02478

ROBERT MAHONEY COMMENTS ON THE PROPOSED FDIC INSURANCE METHODOLOGY FOR BANKS UNDER $10B.

THE ATTACHED CORRESPONDENCE HAS BEEN ASSIGNED TO DIR FOR ATTENTION AS APPROPRIATE.

IF YOU HAVE ANY QUESTIONS RELATING TO THIS ASSIGNMENT, PLEASE CONTACT THE CORRESPONDENCE UNIT OF THE OFFICE OF LEGISLATIVE AFFAIRS AT 898-7055.

DISTRIBUTION:
MS. RYAN
MS. MIHALIK
MR. ST. CLAIR

Belmont
SAVINGS BANK

Robert M. Mahoney
President, Chief Executive Officer

February 22, 2016

Mr. Martin J. Gruenberg; Chairman, Federal Deposit Insurance Corporation
Mr. Robert E. Feldman; Executive Secretary, Federal Deposit Insurance Corporation
Mr. Glen Watler, Ombudsman, Federal Deposit Insurance Corporation

Subject: Proposed FDIC Insurance Methodology for Banks under $10B

Dear Sirs,

Thank you for the opportunity to comment on the most recent revision of the proposed FDIC insurance methodology for small banks (less than $10B). The decision to remove the core deposits ratio and the reduction in the weighting of the tier-one leverage ratio component help address some of the concerns in my previous comment letter. The major factor that I encourage you to consider before a final assessment is adopted is the approach you are taking when you force individual banks to use national averages on any of the criteria in the calculation. I firmly believe that a bank specific risk based approach is more appropriate given that this is method of calculating insurance. As an example, I would not be able to purchase life insurance for the national average age group. My life insurance is specific to the risks associated with me and the same approach should be taken for the insurance of our bank.

Under the revised calculations we would still be subject to historical charge-off rates experienced in other parts of the country where economic struggles during the downturn were amplified and credit decisions were made by poorly run institutions. These rates are unrealistic given our markets, credit quality and do not represent the risk associated with our lending operations. We had net recoveries during fiscal year 2015. Under the new proposal Belmont Savings Bank would see an increase in its quarterly FDIC Insurance expense of approximately 14% which still does not make sense given our profile. We continue to deliver growing earnings with excellent credit quality all while maintaining our well capitalized status. Why should one be required to put national loss rates against loans in a portfolio that are not delinquent? Our delinquency rate for 2015 was 0.18%.

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Lastly, I caution you again on the one year asset growth factor. Using this as a proxy for risk seems inappropriate. Generally, when a bank is growing it is supporting the lending needs of its local community and just because it is growing a blanket conclusion of added risk should not be made. Looking at the components of growth and the corresponding risk management practices of the individual institution is a better way of evaluating risk. Is this not the intent of each banks CAMELs rating?

I am happy to discuss this further with your teams.

Sincerely,

Robert Mahoney
President & Chief Executive Officer, Belmont Savings Bank
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617-484-0628

cc: Michael Leonard, FDIC Boston Office
Valerie Best - Supervisory Counsel, FDIC Washington Office