First Financial
Northwest Bank

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Subject: Comment Request– RIN 3064-AF-99

October 17, 2024

James Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
comments@fdic.gov

Dear Mr. Sheesley,

My name is Joe Kiley and I am the President, CEO and Director of First Financial Northwest Bank located in Washington State. For more than 100 years we have provided high-quality financial solutions to people and businesses in the Puget Sound region. I strongly oppose the proposed rule on brokered deposits because it would stifle innovation, undermine lending, increase risk, and have numerous unintended, unstudied consequences for lenders and consumers.

In 2020, I served on the committee that worked diligently and in good faith with the FDIC to painstakingly develop recommendations for the current rule. Through that effort, we interviewed stakeholders, gathered detailed input, and thoroughly researched how various proposals might impact segments of the banking industry and customers across the country. It was a challenging, but enriching process, and though there were compromises made, the rule that was ultimately implemented has undoubtedly sparked innovative financial services business models, increased competition, and reduced risk. I am dismayed that this FDIC leadership, after just over three years, would attempt to hatchet away at that work without a similarly comprehensive process.

The current rule has enabled community banks to develop forward-thinking, synergistic ventures with innovative financial services platforms, allowing many community banks to remain competitive with larger financial institutions that have access to more diverse funding sources. By unreasonably characterizing these partnerships as "brokered", the FDIC's proposed rule would disproportionately harm community banks and unfairly punish the small businesses, farmers, and homebuyers who rely on community banks for financing.

Bafflingly, the proposed rule would do more to reduce liquidity diversification and harm balance sheets than it would to solve these problems. Allowing community banks to attract stable, diverse sources of deposits under the current rule's parameters strengthens liquidity and overall financial health. These unique partnerships give community banks tools that are cost-effective and competitive with larger institutions that have the resources to expand marketing and develop digital platforms in-house.

The FDIC would have a stronger case for reform if it provided greater insight into how this proposed rule serves the public interest by reducing risk. Without such detail, this proposal is more an election year overreaction than well thought-out policymaking. A more careful examination of the 2023 bank failures would show that even the FDIC's expanded definition of brokered deposits had no role in undermining the stability of relevant banks. On the contrary, the banks might have been even more resilient had they held more of these diversified deposits on their balance sheets.

This proposal throws out the proverbial baby with the bathwater. I know that many of us who worked on the overdue reforms from 2020 remain committed to seeing the banking industry grow and evolve to meet modern challenges. If the FDIC is genuinely interested in reform, it would be to the FDIC's benefit to bring stakeholders back to the table and welcome more inclusive, comprehensive public engagement. I strongly urge the FDIC to abandon this proposal and dig into a data gathering effort that reflects the complexities inherent in this issue.

Sincerely,

[redacted]

Joseph W. Kiley, III
President, CEO & Director

cc: Glen Simecek, Washington Bankers Association