WELCH STATE BANK

Member FDIC | Equal Housing Lender

October 16, 2024

To: Federal Deposit Insurance Corporation

Subject: RIN 3064-AF99, Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions.

To Whom It May Concern,

I'm writing to comment on the proposed rulemaking on brokered deposits. I'm strongly opposed to revising the 25 percent designated exception to 10 percent. The will hinder our ability to service the large depositors in our trade area ranging from for Indian Tribes to schools and County/City governments. These customers have been with us for 20 plus years and longer. They are not hot money that come and go for the highest rate. However they do require the deposits to be insured and prefer us to do this through ICS or CDARS. Your proposal will restrict us by over 60 percent in this area and will have a major negative impact on our banks liquidity. We only have two other options to secure these deposits and that is pledging bonds or issuing Federal Home Loan Bank letters of credit which will be a drain on our liquidity as well. This proposed regulation will force them from community bank's and send them to the super regional and big banks.

I find it very concerning with the additional emphasis on bank liquidity that the FDIC would take steps through this proposed regulation to restrict liquidity to banks.

There are two additional uses for brokered deposits that are very important to us that this proposed regulation will restrict. The first happens when rates are high and the environment we are currently in. Our first use is to protect us from "paying up" for CDs. Let me give you an example that happened last week. We had a customer ask us to match another bank that offered him 5.35 percent on a $100,000 one year CD. The brokered rate for a one year CD last week was 4.10 percent. Because we have the access to brokered CD's we aren't put in a "have to match silly competition" position.

The second use is interest rate risk management. Many times we will match fund loans we are making to protect against interest rate risk. Our only other choices are the FHLB or try to issue long term CD's to our customers that they will never do.

My last comment is about the FDIC mindset about brokered deposits. I've been in banking for over 28 years and the FDIC has always liked to blame brokered deposits for all the troubles in banking. It's the loans and investments that get the institution into trouble not the brokered deposit. Don't punish the majority that use them wisely because of the few who don't. Brokered deposits are an important tool for community banks. Please don't restrict our use by over 60 percent. This is severe.

In conclusion I'm opposed to this proposal because it will restrict our service to our customers, restrict our liquidity and open the door to higher deposit costs.

Thank you for your consideration.

[redacted]

James A. Stoner

President