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THE
HARBOR BANK
OF MARYLAND

JOSEPH HASKINS, JR.
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FDIC

SEP 22 2015

OFFICE OF THE CHAIRMAN

September 16, 2015

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking
(RIN 3064–AE37)

Dear Chairman Gruenberg:

I am writing to express my concern about an FDIC proposal that has the potential to undermine the efforts of Minority-owned banks to improve the quality of life for people in credit-starved neighborhoods throughout the country.

As written, the FDIC's proposal on insurance assessments for small banks would make it significantly more difficult for Minority-owned banks to attract needed funding.

Minority-owned banks often serve distressed communities suffering from social and economic problems. Often, the communities have little or no access to other providers of financial services.

To fund loans to small businesses, households, and others, Minority-owned banks need deposits. Understandably, in economically distressed communities deposits are often difficult to attract. Many Minority-owned banks also raise deposits from civic-minded and socially-motivated investors who are willing to deposit large amounts of funds if they know that the funds are insured by Federal deposit insurance. Reciprocal deposits are a way to provide such insurance beyond the standard $250,000 coverage. The reciprocal deposit system allows banks to safely exchange those portions of one of these large deposits above the insurance limit with other banks so that the depositor has full insurance. Because the banks exchange funds on a dollar-by-dollar basis, the Minority-owned bank maintains the total amount of the deposit. As a result, Minority-owned banks that hold reciprocal deposits rely on them at least four times as much as other community banks.

Under the FDIC's small bank assessment proposal, banks holding reciprocal deposits would pay higher FDIC insurance premiums than would otherwise be the case. In other words, the proposal would impose a significant penalty on banks that use reciprocal deposits, a penalty that would hit Minority-owned banks. These banks put reciprocal deposits to work in their communities as

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loans that launch and support local businesses, improve housing, and create jobs. If this penalty is imposed as proposed, it will not only affect Minority-owned banks disproportionately. The communities they serve will suffer from decreased credit opportunities.
The current formula for assessing small banks for FDIC insurance recognizes that reciprocal deposits can provide banks with a stable source of funds. This recognition and treatment, however, are absent in the FDIC's proposal.

The remedy is simple. I strongly urge you to revise the proposal so that it reflects the current treatment of reciprocal deposits. This treatment enables Minority-owned banks to play a significant role in providing credit to neighborhoods that are starved for it, and in so doing to serve as engines of economic inclusion.

Thank you for your attention to this matter.

Sincerely,

Joseph Haskins, Jr.