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

3/5/2020

Re: Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions
RIN 3064-AE94

Dear Secretary Feldman,

I represent TNBank, which serves Anderson, Knox and Blount counties in Tennessee. These communities are all very involved in education and nonprofits. Our bank echoes that sentiment by volunteering, giving back monetarily and providing financial education to help those in the community. Our approach is to grow local businesses so more people in our communities have jobs. We are flexible with small business owners, pay interest on business accounts (so they earn money) and partner on financial education for businesses and their employees.

In order to work with our community, we use third party vendors that allow us to offer free consumer checking accounts, websites, data to help us understand our community needs, marketing, data to ensure that TNBANK can prevail if a recession were to hit, software to operate, security and cybersecurity and much more. Without third-party vendors we would cease to exist as would hometown banks.

The way the proposed rule is currently written, it would affect our ability to manage our balance sheet which is the life blood of all businesses. Below are some suggested changes that I'd like to propose to the FDIC.

1. The FDIC should revise the proposal to avoid covering third-party service providers that enable banks to establish accounts directly with depositors. This change can be accomplished by exempting these types of service providers from the proposed definition of deposit broker

altogether and/or by narrowing the proposed definition of what constitutes “facilitating the placement of deposits.”

The FDIC must modernize the brokered deposits rule without eviscerating third-party sources of innovation for community banks. Failure to change the proposal to preserve the support of these types of service providers will diminish our ability to compete with big banks and to secure deposits that fuel economic growth — all to the detriment of local and regional communities, bank safety and soundness and consumer choice.

2. The proposal states that the FDIC intends to modernize its brokered deposits rule to reflect recent technological changes, and specifically highlights banks’ collaboration with financial technology companies for access to deposits. Contrary to this stated intent, the proposal limits today’s innovative partnerships by undermining bank deposit products that are supported by a third-party service provider.

Community banks will be the hardest hit. The proposal forecloses an essential path for community banks to gather the deposits needed to make consumer, small business and agricultural loans in their local communities. The FDIC should recognize the legal obligation and policy imperative to consider regulatory alternatives that minimize adverse impacts on community banks while updating its rule to reflect present-day innovations. The FDIC’s proposal will reduce bank deposit growth at a time when bank lending is declining and digital-only lending is increasing.

3. The preamble to the FDIC proposal indicates that the FDIC intends to codify existing staff advisory opinions that continue to apply, and to evaluate and rescind those opinions that no longer apply, once the FDIC adopts the rule changes. Rescinding any staff advisory opinions that community banks and their service providers have relied upon for years would interfere with the substantial business and monetary investments made in reliance upon specific assurances from the FDIC’s lawyers that particular activities would not make a company a deposit broker under current law, which remains intact and unchanged.

We recommend retaining existing advisory opinions which conclude that specific company activities do not make the company a deposit broker. Moreover, replacing existing advisory opinions with the cumbersome and protracted application process described in the proposal would cause material economic harm to community banks and their service providers while they assemble their applications and wait a minimum of 4 months, and likely longer, for a decision.

TNBANK was founded by local business owners and is dedicated to helping our neighbors. In order to serve community, we need to use third party vendors to execute on offerings like mobile banking and online applications. I request that the FDIC take my comments into consideration and modify the language of the proposed rule around brokered deposits restrictions. I appreciate your time.

Sincerely,

Leslie England
Senior Vice President of Retail Banking,
TNBANK