ThinkFirst

## First National Bank

435 S. Washington St. P.O. Box 68 New Bremen, Ohio 45869-0068 (419)629-2761

204 West State St. Botkins, Ohio 45306 (937) 693-1537

347 West Russell Rd. Sidney, Ohio 45365 (937) 492-1292

406 N. Hamilton Rd. Wapakoneta, Ohio 45895 (419) 738-2194 \_\_\_\_\_\_\_\_\_\_ B O X 3 5 6

New Knoxville, Ohio 45871 (419) 753~3456

## COPY

August 31, 2015

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

> Re: Federal Deposit Insurance Corporation Notice of Proposed <u>Rulemaking (RIN 3064–AE37)</u>

Dear Mr. Feldman:

First National Bank in New Bremen is headquartered in New Bremen, OH. We have \$263,336,000 in assets and 4 branches. We are part of a reciprocal deposit placement network. We have found reciprocal deposits to be a helpful source of funding.

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) proposing changes to the FDIC's deposit insurance assessment regulation for small banks. In particular, we would like to comment on how this proposal would affect reciprocal deposits.

In short, we strongly urge the FDIC to continue to separate the treatment of reciprocal deposits from that of traditional brokered deposits in setting assessments. Reciprocal deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits. The separate treatment of reciprocal deposits from that of traditional brokered deposits in the current assessment system recognizes the differences between the two types of deposits. Reciprocal deposits are not just another form of wholesale funding and should not be treated as such.

When it established the current system in 2009, the FDIC recognized that reciprocal deposits "may be a more stable source of funding for healthy banks than other types of brokered deposits and that they may not be as readily used to fund rapid asset growth." Nothing has changed since then. Traditional brokered deposits are "hot"; reciprocal deposits are not.

N E V B R E M E N S O T K I M E N S O T K I N S N A P A K O N E T N E V KNOXVILLE

ThinkFirst

## First National Bank

435 S. Washington St. P.O. Box 68 New Bremen, Ohio 4 5 8 6 9 - 0 0 6 8 (419) 629-2761

204 West State St. Botkins, Ohio 45306 (937) 693-1537

347 West Russell Rd. Sidney, Ohio 45365 (937) 492-1292

406 N. Hamilton Rd. Wapakoneta, Ohio 45895 (419) 738-2194

B O X 3 5 6 New Knoxville, Ohio 45871 (419) 753-3456 Further, as the FDIC's proposal itself points out, the premium assessment for an institution is supposed to reflect the risks posed by its assets and liabilities. Those risks must be specific and should be measurable.

Reciprocal deposits do not present any of the risks and concerns that traditional brokered deposits do: instability, risk of rapid asset growth, and high cost. On the contrary, our reciprocal deposits come from a local customer. We typically have a relationship with our customers that goes far beyond merely accepting their deposits. We set reciprocal deposit interest rates based on local rates. Our experience is that reciprocal deposits "stick" with the bank. For all these reasons, they add to our bank's franchise value.

The FDIC in its proposal gives no justification for treating reciprocal deposits like traditional brokered deposit: no facts, no figures, no analysis. Rather, it arbitrarily lumps the two together. In doing so, it would penalize banks that use them by, in effect, taxing them. Such a tax would be unnecessary and unfair. The FDIC's proposal would punish our bank for using one of the few tools we have to compete against the larger banks doing business in our area.

Again, we strongly urge you to retain the current system's exclusion of reciprocal deposits from the definition of "brokered" for assessment purposes.

So that we do not have to revisit this issue later, we also strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the Federal Deposit Insurance Act.

Thank you.

Sincerely,

William R. Wente

William Wente President

cc:

The Honorable Sherrod Brown 713 Hart Senate Office Building United States Senate Washington, D.C. 20510



ThinkFirst

## First National Bank

435 S. Washington St. P.O. Box 68 New Bremen, Ohio 45869-0068 (419)629-2761

204 West State St. Botkins, Ohio 45306 (937) 693-1537

347 West Russell Rd. Sidney, Ohio 45365 (937) 492-1292

406 N. Hamilton Rd. Wapakoneta, Ohio 45895 (419) 738-2194 \_\_\_\_\_\_\_\_\_\_ B O X 3 5 6

New Knoxville, Ohio 45871 (419) 753-3456 The Honorable Robert Portman 448 Russell Senate Office Building United States Senate Washington, D.C. 20510

The Honorable Jim Jordan 1524 Longworth House Office Building United States House of Representatives Washington, D.C. 20515

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