

M&F Bank

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Have a dream.

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 Rulemaking (RIN 3064-AE37)

Dear Mr. Feldman:

M&F Bank is a Minority-owned Community Development Bank headquartered in Durham, NC. We have \$298 million in assets. Our bank has served the people of North Carolina for more than a century. We have seven full-service offices, which are located in Durham, Winston Salem, Greensboro, Charlotte, and Raleigh.

We were founded as a Minority-owned and operated institution to meet the need of people and communities that were not served at all or underserved by other institutions of the time. We continue to serve people, small and entrepreneurial businesses, and organizations within the community that traditionally had – *and continue to have* – difficulty in obtaining financial services because of community location and reputation or because of an inability to establish a financial history that would lead to easily obtained financial services. We promote community development by providing financial and advisory services that aid small and moderate-sized businesses and organizations that are committed to supporting and building the community in which they are located. We are a member of the National Bankers Association and of the Community Development Bankers Association.

We accept reciprocal deposits, which – at more than \$96 million – currently account for about 38 percent of our total deposits. Reciprocal deposits are an essential part of our funding strategy and our business plan.

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) on insurance assessments for small banks, and particularly on the impact this proposal would have on banks such as ours that hold reciprocal deposits. Reciprocal deposits under the proposal would be treated in the same way as traditional brokered deposits. The result would be that assessments for banks holding reciprocal deposits would be higher than would otherwise be the case.

In short, the proposal would arbitrarily impose a significant penalty on banks that use reciprocal deposits, a penalty that would hit Community Development Banks like ours the hardest. Reciprocal deposits enable banks like ours to attract large deposits from socially-motivated investors. As a result, we rely on reciprocal deposits much more than other community banks do. Further, because of our social mission, we put that money to work in our community -- usually low- to moderate-income neighborhoods -- as loans that launch and support local businesses, improve housing, and create jobs. If this penalty is imposed as proposed, it will affect us disproportionately, and the community we serve will suffer reduced credit opportunities.

The proposal provides no data and gives no reason why reciprocal deposits should bear this penalty. In fact, reciprocal deposits in general exhibit characteristics of a core deposit. Customer relationships typically are long term. We set the interest rates based on our local market conditions. These are not "hot" deposits that flow from bank to bank chasing interest rates.

The current system takes these characteristics into account in setting assessments for small banks, recognizing reciprocal deposits can provide banks with a stable source of funds. This recognition and treatment are absent in the FDIC's proposal. We encourage you to revise the proposal so that it reflects the current treatment of reciprocal deposits.

Further, we strongly urge the FDIC to support legislation explicitly exempting reciprocal deposits from the definition of brokered deposits in the Federal Deposit Insurance Act, which would settle any uncertainty as to their status.

Sincerely,

A handwritten signature in black ink, appearing to read "James H. Sills, III". The signature is fluid and cursive, with a large initial "J" and "S".

James H. Sills, III
President and Chief Executive Officer

cc:

The Honorable C.K. Butterfield
U.S. House of Representatives
2305 RHOB
Independence Ave. & S. Capitol St., SW
Washington, DC 20515

The Honorable David E. Price
U.S. House of Representatives
2108 RHOB
Independence Ave. & S. Capitol St., SW
Washington, DC 20515

The Honorable Alma Adams
U.S. House of Representatives
222 CHOB
1st St. & Independence Ave. & S. Capitol St., SE
Washington, DC 20515

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