



September 2, 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:

First National Bank, with total assets of \$220,000,000, is headquartered in Arcadia, LA. We welcome this 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. We applaud the proposal to reduce the assessment burden on community banks, however, we would like to specifically comment on how this proposal would negatively 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.

First National Bank has participated in a reciprocal deposit placement network since 2006. We have found reciprocal deposits to be an extremely important source of funding. Several of our customers have specifically asked for their funds to be included in the network. These requests were not made due to fear or a desire to limit risk; rather, they were made due to the customers simply wanting to hold all of their deposits with us, their trusted local community bank. These deposits have remained extremely stable through the years. Also, the average cost of our reciprocal deposits is well below 0.25%. **As you can see, the stability and low cost of these reciprocal deposits are unlike that of traditional brokered deposits.**

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. We would agree that a bank with rapid deposit growth that is fueled by increasing levels of traditional brokered deposits would reflect higher risks and higher premium assessment. However, rapid deposit growth is typically not associated with the use of reciprocal deposits. On the contrary, our reciprocal deposits come from local customers. 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 mega-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 for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Brandon Norris".

Brandon Norris
Executive Vice President/CFO