



P.O. Box 379
Forsyth, Montana 59327
Phone - (406) 346-2112
Fax - (406) 346-2996

August 05, 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:

The First State Bank of Forsyth welcomes 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, which are defined as banks with assets of less than \$10 billion. In particular, we would like to comment on the impact of this proposal on reciprocal deposits.

First State Bank of Forsyth is located in Forsyth, MT. We have \$127,602,000 in assets. We are part of a reciprocal placement network. More than 5% of our total deposits are reciprocal. We have found reciprocal deposits to be an important source of funding and our customers value the reciprocal deposit relationships as well.

When establishing the current system in 2009, 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."

That recognition was based on the characteristics that reciprocal deposits share with core deposits, characteristics that traditional brokered deposits lack. In particular, our reciprocal deposits **all** come from our long term local customers, including public entities. These customers have various accounts and relationships with us. We set the interest rate for these deposits with the same rate sheet as our core deposits. Our reciprocal deposits **do not** present concerns that traditional brokered deposits do such as: 1) instability, 2) risk of rapid asset growth (for several years we have not accepted deposits from outside our servicing area), and 3) high cost.

The Federal Deposit Act specifically calls for the premium assessments for each individual institution to reflect the specific and measurable risks posed by its assets and liabilities. The proposal also states that it would improve the current system “by incorporating newer data from the recent financial crisis” ... to ... “more accurately reflect risk.”

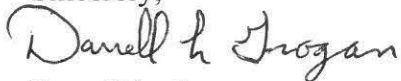
Under the current system reciprocal deposits are excluded from the “adjusted brokered deposit ratio”. The proposed assessment system would no longer exclude reciprocal deposits from the definition of brokered deposits. The results of this change would be to increase our costs (assessment fees) when we are not doing any activity that increases risk.

To avoid penalizing institutions that are averse to risk, please retain the current system’s exclusion of reciprocal deposits from the definition of “brokered” for assessment purposes.

Further, we strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the FDI Act.

Thank you for the opportunity to comment on this proposal.

Sincerely,



Darrell L. Grogan
Chairman, President & CEO

cc: The Honorable Jon Tester
311 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Steve Daines
320 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

The Honorable Ryan Zinke
113 Cannon 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