

From: jengelbert@grassrootsmessages.com
To: [Comments](#)
Subject: [EXTERNAL MESSAGE] RIN 3064-AF02 - Request for Comment on Proposed Revisions to Interest Rate Restrictions on Institutions that are Less than Well Capitalized- FDIC-2019-0092-0001
Date: Tuesday, October 29, 2019 1:03:45 PM

The First State Bank is a well capitalized community bank located in northern Kansas, with four branches located in small communities in Kansas and Nebraska. We are supportive of the FDIC's efforts on this issue and the broader proposal to modernize outdated brokered deposit rules. We are also appreciative of the recent clarification that the rate cap restrictions do not — and should not — apply to well-capitalized institutions. The FDIC's proposal does not go far enough toward creating a robust market rate. The availability of deposits in our remote agriculture communities are not sufficient to meet the normal demand for loan volume of our borrowers. Therefore the deposit rates for all community banks throughout all of western Kansas are substantially higher than deposit rates found in most metropolitan areas due to the competitive forces dealing with a limited supply of deposits. There are many problems with the current proposal in that it does not take into account non-bank competitors (such as credit unions and non-bank financial firms) or capture many bank deposit products. But more importantly, the proposal does not use a rate that is indicative of what the true market deposit rate is for community banks located in rural areas. Rather it uses a national rate that is not a true measure of a normal competitive rate specific to the market area of the community bank. Our recommendation would be as follows: for well capitalized community banks (i.e. under \$5 billion), develop an index equivalent to the average deposit rate for the same well capitalized community banks as determined by the most recent year end data compiled by the FDIC (i.e UBPR). One index could be developed for Time Deposits and a second index for All Other Interest Bearing Deposits. Then allow the bank to use a rate not to exceed 125 percent of the aforementioned indexes. As you know, restricting community banks from the ability to offer competitive deposit rates can significantly limit their ability to serve their customers and communities. The FDIC can assist community development, reinvestment, and growth by effectively modifying interest rate restrictions as noted above. Thank you for the opportunity to comment on this proposal. Sincerely, John P. Engelbert President/CEO First State Bank Norton, KS 67654