

From: Clark Fincher
Sent: Thursday, March 07, 2019 7:24 AM
To: Comments
Subject: RIN 3064-AE94

March 6, 2019

To Robert E. Feldman, Executive Secretary

Attention: Comments Regarding February 6, 2019 - Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions; Comment Request (RIN 3064-AE94)

Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429

Dear Mr. Feldman,

I appreciate the chance to comment on brokered deposits and rate caps. I am the Board Chairman at a small country bank in southern Arkansas. Historically, our customers have always been low- to middle-income people, and we built our bank on catering to people who didn't have a lot of deposits or high-net-worth. In other words, the majority of our customer base is composed of net borrowers. We also serve a large portion of the minority population of our market area. We've served this niche for 108 years. Many are under-banked or previously un-banked. What does this have to do with brokered deposits? Please bear with me.

What does it look like to bank the previously un-banked....not just talk about it, but do it? We reach out to the unbanked with free accounts available to everyone, opening accounts for only a penny and offering no-interest/no-fee loans to anyone who becomes overdrawn and can't escape the cycle. We don't require a clean ChexSystems report in order to open an account. We make a concerted effort to reach our Hispanic community by hiring bi-lingual customer contact people. We waive NSF fees for any item under \$10.00 or for any overdraft resulting in an overdrawn balance of less than \$10. We limit our OD fees to four items in one day, have the lowest NSF/OD fee in our market and we have no daily OD fee. We treat our customers with dignity, respect, and appreciation.

For years we have been aggressively trying to increase our core deposits, and in 2013 we hired an account acquisition company to help us achieve that goal. In five years we doubled the number of our demand deposit accounts but these new customers brought very few deposit dollars with them. What

they did bring was an increase in our loan demand. We now have 3,459 “Totally Free Checking” accounts and the average balance per account is \$707.63. We have 4,476 consumer loans with an average balance of \$10,424.

In 2008 we began to take advantage of a wonderful liquidity/funding tool which has been a vital ingredient of our success over the last ten years- brokered deposits. We have found brokered deposits to be a stable, relatively low-cost, convenient, non-volatile source of funds for the past ten years. During that time, brokered deposits (BDs) have consistently been our best option for funding for these reasons:

1. Their availability enabled us to enhance our profit through multiple strategies that would not have been possible and/or prudent if not for the price and terms of the funds, neither of which were available from core deposits.
2. Freedom from reliance on local hot money
3. Until recently, we could obtain BDs for one-half to two-thirds of the price of core deposits.
4. Interest rate risk practically eliminated due to long terms available
5. Increased stability due to no early withdrawal allowed except due to the death or adjudication of incompetence of the holder
6. Readily available and simple to obtain
7. No collateral required
8. Administration and maintenance costs are a fraction of core deposits
9. Optionality available, i.e. callable at our option
10. Ability to structure asset/liability management in any term desired- not available from core deposits

Our use of brokered deposits as well as other sources of wholesale funding to serve our clientele is vital to them and us. The current stigma and restrictions on wholesale funding at worst blatantly and purposefully discriminate against customers like ours. At best, there is disparate impact. We must either strive to protect our ability to obtain funding from sources outside our customer base or tell our customers, “We’re sorry, you don’t deposit enough money for us to be able to serve your needs”.

Given the emphasis on economic inclusion, we would think that efforts would be made to consider the needs of customers of banks who provide loans and banking services to the very population targeted by that initiative.

Back to general principles, the restrictions on brokered deposits and the rate cap rules tie the hands of regulators who are trying to manage risk and protect the Deposit Insurance Fund. Simpler, more common-sense rules would be a welcome change and would work better for all stake-holders than the complex rules, regulations, opinions, guidance, and FAQ's we now seek to understand.

Thank you for considering my comments.

Clark Fincher, M.D., MACP

Board Chairman

Peoples Bank, Magnolia, AR

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Clark Fincher, MD, MACP

Searcy Medical Center

2900 Hawkins

Searcy, AR 72143