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BY ELECTRONIC MAIL at BrokeredDepositFAQs@fdic.gov

Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Request for Comment on Frequently Asked Questions Regarding Identifying, Accepting, and Reporting Brokered Deposits FIL-51-2015 (November 13, 2015)

To Whom It May Concern:

This letter is being submitted on behalf of The Auto Club Group ("ACG"), Auto Club Insurance Association ("ACIA") and Auto Club Trust, F.S.B. (the "Bank"), in response to the Federal Deposit Insurance Corporation's request for comments on the proposed Frequently Asked Questions Regarding Identifying, Accepting, and Reporting Brokered Deposits ("FAQs). We welcome the opportunity to comment on the proposed FAQs and we appreciate the FDIC's efforts to provide more clarity with respect to the definition of "brokered deposits." We are particularly interested in the guidance surrounding deposit referrals from affiliates of the Bank and offer our suggested further guidance below.

I. Background

The Bank is owned by three related holding companies. Approximately 80.40% of the Bank's shares are owned by ACIA and the remaining 19.60% of the Bank's shares are owned by ACG through its wholly owned subsidiary Auto Club Services, Inc. ("ACS"). ACIA, ACS and ACG are each a grandfathered unitary savings and loan holding company under Title IV of the Gramm-Leach-Bliley Act of 1999 and Section 10(c)(9)(C) of the Home Owners' Loan Act.

ACIA is a Michigan reciprocal inter-insurance exchange, which is similar to a mutual insurance company; ACG is a non-profit membership organization; and ACS is ACG's wholly owned stock subsidiary servicing and processing corporation. ACG is one of the independently

operated motor clubs licensed and accredited under the umbrella of the American Automobile Association federation ("AAA").

ACG, ACIA and the Bank offer a myriad of products to the motoring public under the AAA brand. ACG offers travel and roadside assistance products and services; ACIA and its subsidiaries offer home, auto and life insurance products; and the Bank offers standard consumer banking products such as home, home equity and auto loans, deposits and credit cards. These products and services are offered to the more than 9 million AAA members in the 11 state ACG territory. Although each product and service clearly identifies the company that is providing the product or service (ACIA in the case of insurance products, ACG in the case of roadside and travel and the Bank in the case of banking products), members typically view the product or service as being a "AAA" product or service. The common identity and strength of the AAA brand (ranked as one of the top brands in the U.S.) assures our members that the travel, insurance and banking products and services meet the high quality standards that they have come to know and expect from AAA.

II. Referral of Deposit Products by Insurance Affiliate Employees and Agents

The Bank markets its deposit products in several ways, including through personal interaction with Bank employees, and through various marketing channels such as direct mail, email, magazine advertisements paid for by the Bank and ads placed on ACG's and the Bank's website. Occasionally, the Bank will also engage ACIA (or one of its affiliated insurance companies) insurance agents to refer insurance customers to the Bank for deposits.

III. Proposed FAQs

The FAQs, at B6 and B7, address specifically the situation in which an employee of an affiliate refers a customer to the bank for a deposit product. B6 provides that informal referrals by insurance agents, lawyers and accountants would not be considered brokered deposits, but that more formal programmatic arrangements between a bank and a business professional would be considered a brokered deposit. The FDIC considers such formal programmatic arrangements to include instances where (1) the professional has entered into a written agreement with the bank for the referral of depositors; or (2) the professional receives fees from the bank.

B7 sets forth those instances in which a programmatic referral arrangement would not be considered to result in a brokered deposit, notwithstanding that such an arrangement may be both covered by a written agreement and the referring individual is paid a fee. In making such determination, the FDIC would consider whether the program is designed to significantly drive deposit growth to the bank or is merely a small recognition of the customer's or employee's loyalty to the bank. The FDIC also would consider whether the cost of the incentive package to the bank is relatively small, the fee is de minimis to the recipient, and payments are capped in total amount or limited in frequency per individual. Additionally, if the referral involves

employees of a subsidiary or of an affiliate of the bank, the FDIC would consider whether the employee has ongoing involvement with the deposit account after it is opened.

IV. Analysis

Based on the above, one of the key considerations of the FDIC in determining whether a referral program will result in a “brokered deposit” is whether the program is “designed to significantly drive deposit growth.” We agree that unbridled growth, whether through brokered or non-brokered deposits, can increase significantly the risk profile of a financial institution and consequently the risk to the Deposit Insurance Fund. However, the guidance, as stated, is too indefinite, making more difficult the banking community’s ability to determine whether a program would result in a brokered deposit. For instance, the guidance begs the question as to what would the FDIC consider to be “significant deposit growth.” Would significant growth be determined on the basis of a percentage of deposits, or flat dollar amount, or a combination of both? Would the FDIC make adjustments for smaller banks, since a relatively modest increase in deposits would result in a larger percentage increase, when compared with much larger institutions? It will be difficult for bankers to identify “significant” increases without further guidance from the FDIC, which lessens the utility of the FAQs.

Consequently, we request that the FDIC consider adding further guidance on when a referral program involving employees or agents of an affiliate would not be considered brokered deposits. Specifically, we believe the FDIC characterized correctly the risks of brokered deposits in A3, by recognizing that significant growth alone is not the danger, but it is the combination of brokered deposits together with the use of such deposits to fund unsound or rapid expansion of loan and investment portfolios, which has contributed to weakened financial and liquidity positions, bank failures and losses to the Deposit Insurance Fund. Consequently, we request that the FDIC consider the following factors in determining whether a referral program involving affiliate employees and agents are brokered deposits:

1. Whether the deposits are in-market or out-of-market – The risk to a bank increases when deposits are solicited from outside the local market area. Such deposits are considered “hot money” and do not exhibit the same degree of loyalty during times of economic stress, which increases the liquidity risk to the bank. The FDIC recognized in its Study on Core Deposits and Brokered Deposits (July 8, 2011) (the “FDIC Study”), that stable core deposits are typically funds of local customers that also have a borrowing or other relationship with the bank. As a result, the FDIC should consider affiliate referrals not to be brokered if the deposits are within the bank’s market area.
2. Whether the depositor has other relationships with the bank or affiliate – Similar to #1 above, the FDIC has recognized that customers with other relationships tend to be more stable and are not the type to increase risk to the bank. It should not matter if the relationship is with the bank or affiliate, particularly in a case similar to ours, where the

customers view all products as “AAA” products. Our results support this concept as the renewal rates of our affiliate referred deposits is 80%, which demonstrates that such deposits are a more stable, core deposit.

3. Whether the deposits are used to fund higher risk loans or investments – The FDIC study recognized that the risk from brokered deposits occurs when those deposits are used to fund higher risk loans and investments. The Study provides at page 1, “During the early part of the current wave of heightened bank failures, the FDIC began observing a disturbing pattern among many failed banks that was similar to a pattern observed in the banking crisis of the late 1980s and early 1990s. A number of failures were occurring where there were concentrations in commercial real estate (CRE) and construction and development (C&D) lending funded by large amounts of brokered deposits, and this trend once again brought brokered deposits to the forefront.” We agree that brokered deposits that are used to fund higher risk loans should continue to be characterized as brokered deposits. However, a deposit resulting from a referral from an employee or agent of an affiliate that is used to fund lower risk, core consumer banking products should not be characterized as a brokered deposit.

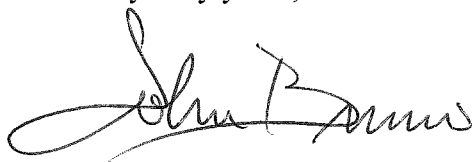
We agree with the other factors considered by the FDIC and set forth in B7 in determining whether a referral program would result in a brokered deposit. These factors include whether the cost of the incentive package to the bank is relatively small, the fee is de minimis to the recipient, and payments are capped in total amount or limited in frequency per individual. In addition, B7 provides that if the referral involves employees of a subsidiary or of an affiliate of the bank, the FDIC would consider whether the employee has ongoing involvement with the deposit account after it is opened. In those cases in which the fee paid is a fixed amount or minimal basis points of the amount of the deposit, the amounts paid would be relatively inconsequential to the bank (particularly compared to other forms of advertising which do not result in brokered deposits, but which are much more expensive) and would not amount to a significant portion of the recipient’s total compensation. Further, we agree that continued involvement in the deposit by the affiliate employee would likely result in a brokered deposit, as such activity would be more similar to being engaged in the business of placing deposits.

Finally, as the FDIC considers how to fine tune the FAQs, particularly with respect to referrals by employees or agents of an affiliate, we request that the FDIC consider this in view of today’s market place and the manner in which a bank solicits depositors. As stated above, our members view our products and services as AAA products and services, without regard to the company that is providing the product or service. A member may receive a letter and an email from the Bank, which would not be considered a brokered deposit, and a referral from an insurance agent, which may be considered a brokered deposit. This multi-channel approach is common today as financial companies seek to reach customers in a more holistic manner and offer customers a one-stop shopping experience to the range of products and services under the umbrella of a single brand. In the example above, it is impossible to determine whether the

letter, email or referral resulted in the customer's decision to make the deposit. For that matter, such inquisition is irrelevant, as our experience has shown that the deposit will exhibit the same characteristics in terms of stability and loyalty, regardless of the type of solicitation which ultimately led to the placement of the deposit. For these reasons, we request that the FDIC include in its factors those items set forth in 1-3 above when determining whether an affiliate referral will result in a brokered deposit.

We appreciate your consideration of our views and would welcome the opportunity to discuss them further with you. Please do not hesitate to contact the undersigned at 313-336-1795 or by email at jqbruno@aaamichigan.com.

Very truly yours,

A handwritten signature in black ink, appearing to read "John Bruno". The signature is fluid and cursive, with a large initial "J" and "B".

John Bruno
Vice President & Deputy General Counsel

cc: J.R. Thomas Ferries, CEO, Auto Club Trust, F.S.B.
J. Terry McElroy, Executive Vice President, The Auto Club Group