From: wgleason@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: Thursday, October 31, 2019 4:13:39 PM

The Leaders Bank greatly appreciates this opportunity to comment on the proposed revisions to the national rate cap. Leaders is a $330 million community bank located in Oak Brook, IL, a suburb of Chicago. Our bank is supportive of the FDIC's efforts on this issue and the broader proposal to modernize outdated brokered deposit rules. We are appreciative of the recent clarification that the rate cap restrictions do not — and should not — apply to well-capitalized institutions. A past FDIC report referenced the rate cap as a benchmark for defining a "high rate" deposit. In our market, with over 180 different banks, competition for deposits can be very strong and often neighboring banks are paying well above the rate cap. The FDIC's proposal does not go far enough toward creating a robust market rate. It could also prove even more problematic for banks and lead to a pro-cyclical restriction of rates. The problem with the current proposal is 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. For example, the credit unions nearest to our bank, currently are offering Certificate of Deposits at rates above the rate cap. It is important that the national rate reflect a market rate so that it remains robust throughout the business and economic cycles. A non-competitive rate can reduce the ability of weaker institutions to improve their condition as they are handicapped in their ability to raise prudent deposits. My bank strongly recommends that the FDIC base its rate on transparent and publicly available market data, such as the Treasury and Fed funds markets. In addition to a robust national rate, the FDIC should allow alternatives. We support the proposed process changes to the local rate, but urge the FDIC to allow a bank to use 125 percent of the highest competing rate. This will safeguard against an overly restrictive rate that prohibits less than well capitalized institutions from raising deposits. We also encourage the FDIC to establish a periodically reviewed list of allowable alternatives, such a regional FHLB's rates, or other appropriate rates, which reflect the cost of funds within their region or competitive deposit market. Sincerely, William Gleason