From:	ccunningham@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:	Friday, November 01, 2019 8:31:30 AM

My bank is supportive of the FDIC's efforts on this issue and the broader proposal to modernize outdated brokered deposit rules.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. Community State Bank is a $205 Million locally owned commercial bank with four locations in northwest Iowa. We have intense competition in our market with 8+ banks and 3 credit unions, along with many insurance company "banks". Most of these competitors run funding specials which push funding rates much higher than the national average. We avoid the "specials" trap by offering fair rates to all. Our customers tend to be small business owners and farmers that carry good deposit balances, and our loan demands are cyclical. 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. 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, Clark Cunningham