From:	mlujano@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:	Monday, November 04, 2019 10:51:30 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My bank is supportive of the FDIC’s efforts on this issue and the broader proposal to modernize outdated brokered deposit rules.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. 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. Recently my bank underwent an FDIC exam and the national rate that was referenced was under .5%. On the same day as the discussion of this topic with my examiner I was doing a quoted rate for both a local municipality and a long time deposit customer. Both rates took over 2% in order to even be close to retaining those monies. My point is that national rates just aren't reflective of the local rates in my market. I am a $100 million, rural bank in western Iowa and focus on Ag lending. The rates that are setting the national rates are pulled by the biggest national banks who don't even care or want the same forms of deposits that I rely on. I sincerely urge you to consider making a fair rate for comparison. We are also a first generation family owned bank that has to service debt in order to survive so we do get close to the capital limits as we are not able to carry a high capital ration to assure this doesn't affect us. 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, Matthew Lujano