From: Jim Rieniets
To: Comments
Subject: [EXTERNAL MESSAGE] September 4, 2019 - Interest Rate Restrictions on Institutions That Are Less Than Well Capitalized - Notice of Proposed Rulemaking; Comment Request (RIN 3064-AF02)
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The effort by the FDIC to address the issues with national rate caps is appreciated, but it also requires a fundamental shift in the manner in which rates are measured. Revisions to calculations make no sense if the underlying data is flawed, and the current and proposed methodology for collecting data fails, in my opinion, to comply with Section 29 of the FDIC Act. The Act states that the national rate shall be a measure of rates "paid" by banks, not "offered." In particular CD rate calculations based on the third party survey only capture standard terms: 1,3,6, 12, 24, etc. While the ANPR notes that banks offer non-standard terms and that this is a contributing factor to the rate cap challenge, the proposed changes fail to address the need to capture all terms and it does not capture actual rates paid, still only gathering "offered" rates.

Few bankers are pointing out the common practice of having much higher CD rates available on non-standard terms. A survey (see below) we conducted in July of this year illustrated the magnitude of the disparity between standard terms and non-standard. Because the FDIC survey fails to capture all terms, the current national rate calculation for CD's is more than 100 basis points lower than the actual cost of time deposits for the entire banking system (based on UBPR data for Q3 2019). This is a glaring problem that is not being addressed with the proposed changes.

	3 months	4-5 months	6 months	7-11 months	12 months	13-23 months	24 months	25-47 months	48 months
Wells Fargo	0.05%	N/A	0.75%	1.88%	0.25%	N/A	1.29%	1.39%	N/A
Citi	0.05%	0.05%	1%	1.98%	0.25%	1.49%	0.70%	1.00%	1.14%
BOA	0.03%	0.03%	0.03%	0.03%	0.07%	1.98%	0.10%	1.64%	0.85%
US Bank	0.05%	0.05%	0.05%	1.98%	0.10%	1.98%	0.20%	2.03%	0.50%
BB&T	0.03%	0.03%	0.05%	1.98%	0.10%	1.73%	0.20%	0.30%	0.30%
Sun Trust	N/A	N/A	0.50%	N/A	1.98%	1.98%	1.98%	N/A	N/A
JP Morgan	0.02%	0.02%	0.02%	2%	0.02%	1.75%	1.25%	1.40%	1.50%
Regions Bank	0.05%	0.05%	0.10%	1.49%	0.15%	1.73%	0.25%	0.30%	0.40%
Citizens Bank	N/A	N/A	N/A	N/A	0.10%	1.00%	0.10%	N/A	N/A
PNC	0.06%	N/A	0.08%	0.50%	0.15%	1.84%	0.95%	1.25%	1%
People's United	N/A	0.15%	2%	1.85%	0.25%	0.40%	0.60%	N/A	0.60%
Fith Third Bank	0.05%	1.98%	0.05%	1.98%	0.05%	0.50%	0.15%	0.20%	0.30%
Huntington	0.01%	N/A	0.10%	1.49%	0.10%	0.15%	0.15%	0.20%	0.35%
KeyBank	0.10%	0.10%	0.10%	1.68%	0.15%	1.63%	0.15%	1.49%	0.20%
First Citizens	N/A	N/A	N/A	2%	0.15%	N/A	0.25%	0.30%	N/A
BMO Harris	0.05%	N/A	2.37%	2.30%	2.47%	0.25%	0.30%	0.40%	0.50%
Average	0.05%	0.27%	0.51%	1.65%	0.40%	1.32%	0.54%	0.92%	0.64%

My suggestion to remedy this flaw is to have banks provide quarterly data in arrears for all rates paid on all CD's regardless of term. Ranges of maturities, such as 7 to 18 months, 19 to 30 months, 31 to 42 months, etc. would be utilized to calculate national rates, and these would be an accurate measurement of rates paid, and not just offered. An assertion can be made that the current methodology is not only inaccurate, but that it contributes to unfair and deceptive advertising practices when financial institutions (banks and non-banks) reference the FDIC's national rate when comparing rates they are advertising. The current and proposed methodology, it can be argued, is suppressing competition, which is harmful to consumers.

As for non-maturity deposits, the national rate should be based on an index, such as Fed Funds., which is a true market rate for overnight funds.

I would also encourage the FDIC to think about the rapid transformation of the financial services industry, in the context of defining local markets and competition. All banks compete for deposits with internet-only banks, and web-based rates should be an integral part of calculating any local market rates for these purposes. The rhetorical question is: where do internet banks' customers reside?

I appreciate the opportunity to comment and highly encourage the FDIC to "wipe the slate clean", so to speak, and do away with the worthless third-party survey in favor of accurate reporting of actual rates paid by banks, which was the intent of Section 29 of the FDIC Act.

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