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To: Comments
Subject: February 6, 2019 - Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions; Comment Request (RIN 3064-AE94)

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I would encourage the FDIC to reconsider the threshold for brokered deposit and interest rate restrictions.

Specifically, consider exempting banks from the brokered deposit and interest rate restrictions that:

1. have capital ratios above the PCA Well-Capitalized levels but
2. are categorized “Less than Well-Capitalized” solely because they are subject to a Formal Agreement with a Capital article.

During the last financial crisis, many community banks were subject to enforcement actions that included Capital articles (an 8% Leverage and 12% TRBC or higher was typical), even though their actual ratios remained above the PCA Well-Capitalized levels. Most bankers were not aware of this and were unexpectedly forced to deal with funding issues on top of the credit issues arising from the downturn.

Examiners today encourage banks to include a “Less than Well-capitalized” scenario in the bank’s Contingency Funding Plan given the possibility (noted above) that the bank could become “Less than Well-Capitalized” despite their level of capital. Many bankers at healthy banks push back and complain of regulatory burden since they don’t understand the possibility. Given that many if not most community banks are paying deposit rates significantly above the current rate caps, a healthy bank could quickly become a problem bank if they suddenly became subject to rate restrictions.

Amending the threshold to exclude banks that continue to maintain PCA Well-Capitalized Ratios would not increase safety and soundness concerns.



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