



# QwickRate®

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May 6, 2019

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

RE: RIN 3064–AE94

Mr. Feldman,

QwickRate appreciates the opportunity to comment on the ANPR addressing the review of the Brokered Deposits and Interest Rate Restrictions of 12 CFR Part 337. We stand with the many financial institutions and trade associations who have requested the FDIC's attention to the impediments and potential risks associated with the rules current format and offer these comments specific to the area of interest rate restrictions and the calculation of the national rate cap.

As demonstrated below, the current methodology for establishing the national rate significantly underestimates the true cost of deposits in today's market. As a result, banks who are less than well capitalized or are under a formal regulatory order are, in most cases, unable to offer rates that allow them to be competitive for deposits both locally and in the national market.

According to the footnotes on the FDIC website the national rate is a "simple average calculation of rates paid" and that data used to calculate the national rate is gathered by the private company RateWatch. When compared, this information gathered by RateWatch proves to be drastically different from the information gathered by the FFIEC and reported in the UBPR analysis (page 3). Looking at the UBPR data from 12/31/2018 we see that the median and trimmed average rate on time deposits for all banks was 1.28%. The national rate for a 12-month CD, as reported on the FDIC Weekly National Rate and Rate Cap publication, for December 31, 2018 was 0.68%. This shows a drastic difference between the national rate and the rates where deposits are actually being placed. Further analysis of the UBPR data show that the "national rate" for that time period at 0.64 would lie below the 10th percentile of all banks in the nation.

It is apparent that the establishment of the national rate is being overly impacted by the per branch inclusion of outlier large financial institutions offering below market rates. The simple average results are also misrepresentative because they ignore the impact of CD specials and negotiated rate offerings which have become common deposit pricing tools among community banks. Furthermore, the national rate ignores the growing number of credit unions who



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routinely compete for deposits. Credit unions are not subject to regulatory restrictions on interest rates paid and, though structured cooperatively, do have the regulatory authority to generate nonmember deposits.

As the FDIC reevaluates the rate cap methodology, we offer three proposals, any of which would be significant improvements to the current approach.

First, if there is a desire to only minimally adjust the current definition, the FDIC should calculate a median rate in addition to the average rate paid by depository institutions. In addition, the rates being analyzed should include credit unions to better reflect the true depth of rates being offered in deposit markets. Finally, in order to create a true representation of national rates the FDIC should incorporate advertised CD specials offered by banks and credit unions.

Secondly, if the FDIC is willing to use more comprehensive, industry-wide data, that would also ensure the data gathered is as broadly representative as possible the FDIC should calculate a median rate or (or trimmed average rate), as measured by the cost of deposit data reported in the UBPR on a quarterly basis, and adjusted weekly by an index for time periods between reports. This would have the added benefit of being gathered from its own independent sources.

Our third proposal would be to conflate the previous rate cap rule with today's rule. In other words, allow for the rate cap to be the greater of (1) 120 percent of the current yield on similar maturity U.S. Treasury obligations; or (2) as a simple average of rates paid by U.S. depository institutions as calculated by the FDIC. Combining both rules allow for competitive and realistic deposit rates in either a falling or rising rate environment and acknowledges that treasury rates will typically react faster to changing interest rates than will banks.

Lastly, we encourage you to equally factor both local and national market activity. Most community banks rely upon the ability to supplement local market funding through a national market presence as a part of their overall funding strategy. Current technology allows banks to move effortlessly among both local and national deposit markets. Rate strategies and any limitations on interest rates paid must allow the bank to compete locally and nationally in a fair and equitable manner.

QwickRate has a 33-year history as a national non-brokered deposit marketplace for financial institutions. We were on the forefront of the evolution to electronic banking, having created the first online marketplace and direct communication between buyers and sellers outside of a banks local market area. Additionally, QwickRate has the largest subscriber base of institutional depositors, including credit unions who actively generate deposits in the national market.



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At present, FDIC staff maintains access to the QwickRate marketplace, making use of its real time current market data along with the largest and most comprehensive compilation of historical national market rate information available. The QwickRate platform also provides a weekly comparison of the FDIC national rates to current QwickRate market rates, as well as rate surveys and averages that we hope will be beneficial to the FDIC's efforts towards reevaluating the current national rate methodology.

QwickRate has participated in previous FDIC roundtables, examiner education seminars and met with FDIC staff on several occasions over the years. We are willing and interested in participating in additional discussions regarding revisions to the deposit rate cap rule and the methods associated with establishing the "national rate".

Thank you for your consideration. If you have any questions or require additional information please contact me at [shawn.obrien@qwickrate.com](mailto:shawn.obrien@qwickrate.com) or 800-285-8626 ext. 4078.

Sincerely,



Shawn O'Brien  
President  
QwickRate