May 7, 2019

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429

Re: RIN 3064-AE94: Request For Comment On Proposed Rulemaking To Amend 12 C.F.R. Part 337 To Review Current Brokered Deposit Regulations And Interest Rate Restrictions Applicable to Banks That Are Less Than Well Capitalized.

Dear Mr. Feldman:

I am writing on behalf of the Pennsylvania Association of Community Bankers (PACB), the only trade association in Pennsylvania exclusively representing community banks, in response to the Federal Deposit Insurance Corporation's (FDIC) February 6, 2019 advanced notice of proposed rulemaking (ANPR) regarding brokered deposits and interest rate restrictions. We applaud the FDIC's efforts to review the current polices on brokered deposits and interest rate restrictions, and appreciate the opportunity to provide comment.

As you mentioned in your ANPR, since the FDIC's adoption of the 2009 rulemakings on national rate caps, there have been significant changes in the economic climate, technology and products and services offered. The current national rate cap formula no longer reflects current market rates and stifles competition to the detriment of community banks and consumers.

As stated in your ANPR,"because the national rate is a 'simple average of rates paid by all insured depository institutions and branches for which data is available' , the largest banks with large numbers of branches has had a disproportionate effect on average interest rates." This results in the underrepresentation of smaller financial institutions and others in the rate calculation formula. In addition, the regulation states, "the FDIC may consider evidence as to the rates offered by credit unions but only if the insured depository institution competes directly with the credit unions in the particular market." We support a one entry per financial institution methodology and the inclusion of credit unions in the calculation of the national rate cap for a fairer assessment of the current competitive market.

The FDIC's present methodology for setting interest rate caps is not simply limited to undercapitalized institutions and adequately capitalized institutions, but can also affect well-capitalized institutions during the exam process. Most importantly, should an economic downturn occur, it could result in a liquidity risk for undercapitalized to well-capitalized financial institutions alike.

We would ask that the FDIC revise its methodology for calculating national rate caps to better reflect current and local market rates, and encourage fair competition to better serve the needs of consumers across the country. Thank you for the opportunity to comment on this matter.

Sincerely,

[redacted]

Allison Coccia
Director of Government Relations
Pennsylvania Association of Community Bankers (PACB)