



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

March 18, 2020

**Re: Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions
RIN 3064-AE94**

Dear Secretary Feldman,

FNB Bank, formerly the First National Bank of Romney, opened for business in 1910 with an original capitalization of \$50,000. We've grown to \$205 million in assets (as of 2/29/20) and have four full-service centers and a limited-purpose branch for mortgage services. We also offer online / mobile banking solutions for our customers. As President / CEO of FNB Bank, I am concerned that the proposed rulemaking regarding brokered deposit restrictions could impact the expanded services we now offer our customers.

We serve rural communities in West Virginia and bordering states where many are self-employed, such as farmers and builders. For those with an employer, many must travel out of our communities to work. We offer our communities competitive in-house consumer mortgage options, flexible commercial and agricultural lending coupled with local decision making. We rely on third parties for nearly many aspects of our business, but do not outsource community involvement and market expertise. We rely on vendor partnerships for core services, loan documents, online / mobile banking, card processing, and deposit / loan portfolio diversification. We use third parties because our clients are looking for availability and accessibility in these banking services including streamlined account opening and convenient loan applications with quick decision making and funding.

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Unsafe and Unsound Banking Practices:
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We utilize various forms of funding and have operated this way for a number of years. Sources include brokered deposits, FHLB advances, public funds and KASASA branded products. We have a strong capital positions; we test and stress our funding sources and liquidity. This proposed rule would potentially shake the foundation in which our 110-year-old bank was built. Without the ability to offer competitive products, we would lose customers to larger regional or national megabanks. Additionally, I'd like to highlight the potentially harmful financial effects the proposed rule would have on our ability to offer competitive accounts to customers. We would either be focused to treat those deposits as brokered or stop using third parties and withdraw the account and replace the associated deposits with other sources such as 1- or 5-year CDs. This would be an expensive option as the non-interest income generated within these accounts offsets the interest and non-interest expense of these accounts, which will not occur if these funds have to be replaced with CDs. In this scenario, it would cost my bank about a quarter of a million dollars per year.


	3 rd Party Assisted Deposits	1 Year CD	5 Year CD
Average Balance of Reclassified Funds	\$ 2,479,891	\$ 2,479,891	\$ 2,479,891
Cost of Funds	2.70%	1.215%*	1.872%*
Interest Expense	approx. \$ 61,604	\$ 30,131	\$ 46,424
Non-Interest Expense	\$ 235,281	\$ 0	\$ 0
Non-Interest Income	\$ 509,796	\$ 0	\$ 0
Net Cost of Deposits	\$ (212,912)	\$ 30,131	\$ 46,424
Net Percentage Cost	-8.59%	1.215%*	1.872%*
Total Savings vs CDs		\$ 243,042	\$ 259,335

* Source: <https://www.depositaccounts.com/cd/#rateTrend>

To avoid a costly concern as I described above, I'd like to present you with a few suggestions to the proposed rule.

- Third-party services providers are essential to my business. They help me operate in a safe and sound manner, offer innovative products and services to my community and assist me in serving my customers the way they want to be served. Third-party service providers that help me to establish direct relationships with individual depositors should be expressly excluded from the definition of deposit brokers or, at minimum, there should be a bright-line standard under the primary purpose exemption within the rule to exempt such third parties. I own the depositor relationship, the third-party does not, so I should not be restricted from using external resources to serve my customers and my community.
- Implement a bright line test to apply to the primary purpose exception for stable sources of deposits residing in transaction and relationship-based accounts. This type of deposit is very sticky and demonstrates the relationship between my institution and the depositor. These balances contribute to my institution's franchise value at a meaningful level.
- The proposed definition of "facilitating the placement of deposits" focuses on the activities of third parties. I respectfully ask that the definition be revised so that it does not inappropriately capture third parties who provide services to banks that enable the banks to establish deposit accounts directly with individual depositors.
- The proposed rule seems to discount the entrenched partnerships that have been established between banks and third parties based on existing FDIC Advisory Opinions. Significant time and resources were invested in securing these Advisory Opinions, and the proposal does not adequately consider the effect of withdrawing these opinions. Elimination of these Advisory Opinions may dramatically alter my ability to serve my community and as such, I request that all prior FDIC Advisory Opinions be maintained post final rule.

Thank you.



Travis G. Delaplain
FNB Bank, Inc.
President/CEO