From:	Steven J. Woodard
To:	Comments
Subject:	[redacted] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date:	Wednesday, November 20, 2024 9:03:38 AM

[redacted]

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments—RIN 3064-AF99
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Mr. Sheesley:

I am the President & CEO of Alden State Bank in Alden New York. We are a $425MM in asset commercial bank located near Buffalo NY. Our bank was founded in 1916, with three branches (our third branch was opened in 2021). We have been fortunate over the years to have a loyal customer base, but the challenges of attracting new deposits has increased markedly since 2023. As in many markets the number of community banks has been in decline and the pressure to complete with larger institutions for deposits in our market has been a challenge. Larger institutions are not adverse to increased regulation as the cost to comply has a significantly larger impact on smaller institutions. By the same token the larger institutions take local deposits and fund loans throughout the country, while we are funding local small businesses and consumers to help build the local economy.

I am writing to share my concerns regarding the FDIC's proposed rule "Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions". By reclassifying deposits as brokered it will impose additional unnecessary costs on community banks. We will face higher FDIC insurance premiums and additional regulatory scrutiny. Every exam cycle we have examiners tell us how much they are rooting for community banks yet criticize us because of rules intended for large banks that find their way to our institutions. As the failure of larger institutions and 2023 showed, diverse funding sources actually would have created less risk. The proposal's criteria for determining "deposit brokers" will increase both the number of entities classified as "deposit brokers", and the amount of core deposits that we must classify as brokered deposits. Again this will increase liquidity risk and costs for our institution.

This rule may force us to forgo current relationships with third parties, whether they be online services or offer specialized deposit products to service customers. The timing seems strange given regulatory focus on deposits and liquidity. The FDIC should protect, not limit, community banks' access to liquidity and diverse funding sources. As a community bank I am concerned that the proposal could also create an environment where the rules are overly complicated and lead to unintended consequences that hurt community bank customers.

Municipal deposits are a significant funding source for community banks. I am concerned that the proposed change to the 25% test will negatively impact community banks and how we manage public funds. These are an important source of funding for community banks that should not be considered brokered deposits.

I would implore the FDIC to consider all the unintended consequences associated with this proposed rulec.

Sincerely,

Steven J. Woodard

Steven J. Woodard
President & CEO
Alden State Bank
[redacted]
Alden, NY 14004
[redacted]

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