CFG Bank

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:

CFG Bank (the "Bank") is a $5.3 billion bank located in Baltimore, MD. The Bank is a specialty commercial bank focused on nationwide bridge-to-agency financing within the skilled nursing, assisted living, multifamily, and drug and alcohol rehabilitation facility lending verticals. Additionally, as the largest bank headquartered in Baltimore, CFG Bank is a commercial lender within both the Baltimore area and wider geographic region.

On behalf of CFG Bank, we would like to express our concerns regarding the FDIC's proposed rule relating to Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions (the "Proposed Rule"). If finalized, as drafted, the Proposed Rule will harm banks like ours and our ability to meet the needs of our customers and our communities. CFG Bank strongly recommends that the FDIC withdraw this proposal.

As a commercial lender, CFG Bank sources deposits from its commercial borrowers as well as community and business partners. Additionally, CFG Bank operates three branches within the greater Baltimore area, where it accepts business and consumer deposits. CFG Bank also operates an efficient and effective online bank whereby consumers can open deposit accounts. This model has been advantageous for CFG Bank over the years and has allowed the Bank to grow, meet the needs of its customers, and diversify its funding base. As part of our efforts to grow the online bank, CFG Bank has made significant investments in people, systems, and processes to manage risks related to its online bank and meet the needs of its depositors. This includes significant investment in the Bank's Treasury function to model liquidity and interest rate risk associated with these deposits along with significant IT, Risk, and BSA investments.

Furthermore, as part of the Bank's efforts to minimize deposit concentration risks, the Bank recently completed a thoroughly vetted brokered deposit risk assessment and plan whereby it will methodically add long-term, laddered, callable brokered CDs to its balance sheet over time to: i) reduce its concentration of online rate sensitive deposits; ii) allow the Bank to target a lower overall deposit rate competitor ranking through its online deposit division and thereby increase the spread of its offering rates from FDIC rate caps, if they were to apply; iii) reduce

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overall liquidity risk through improvement of its liquidity stress test results; and iv) reduce interest rate risk given the call feature associated with the brokered CDs, allowing the Bank to reprice its deposit portfolio more quickly and more in-line with its rate sensitive asset base in a downward rate environment.

Through this process and in discussion with the Bank's ALCO, Board, and primary regulator, the FDIC, the Bank believes that brokered deposits, when structured and managed through a risk lens, can actually mitigate liquidity and interest rate risk, while providing numerous other tangible benefits for the Bank, and reduce its overall risk profile. For this reason, CFG Bank believes that the Proposed Rule, if implemented as proposed, will stymie innovation and the Bank's ability to add and/or grow sources of funding that may be reclassified as brokered under the proposed rule, thereby posing additional costs, risks, and limits on certain deposits should an institution fall below 'well capitalized' status and face restrictions on brokered deposits.

Below, is a more detailed summary of these issues and our thoughts regarding the Proposed Rule.

- ***Brokered deposit restrictions impose unnecessary costs on banks and consumers***
    - **Issue:**
        - Reclassifying certain deposits as brokered imposes significant costs and restrictions on banks, including higher deposit insurance premiums, possibly lower CAMELS ratings, and additional regulatory scrutiny. Restrictions on brokered deposits may force banks, such as CFG Bank, to forgo existing or new relationships with third parties, whereby the relationship and deposit source helps diversify the Bank's funding base and reduce overall liquidity and interest rate risk.
    - **Response:**
        - The Bank is concerned that the FDIC's proposal overlooks the need for banks to have access to diverse funding sources.
        - The FDIC should protect, not limit, banks' abilities to access liquidity and partner with third parties to offer cost effective and competitive deposit services to their customers.
        - The proposed framework could harm banks' abilities to manage liquidity and maximize deposit insurance protections for their customers.
        - The Proposed Rule ignores the realities of modern banking by recategorizing massive volumes of stable, sticky deposits as brokered.

- ***Third party partnerships where fees are exchanged***
    - **Issue:**
        - Many banks utilize, or may wish to utilize in the future, third party partnerships, online services, and financial technologies to facilitate deposit placements, raise insured deposits, offer specialized deposit products

and services to their customers, maximize deposit insurance coverage for their customers, diversify and de-risk their funding portfolio, and broaden their deposit base to meet the lending needs of their local communities.

- **Response:**
    - The Bank is concerned the FDIC is proposing that a third party will be a "deposit broker" in instances where the third party simply receives a fee for their services related to the placement of deposits – a condition of doing business that captures virtually all third-party relationships related to deposit placement, even those that don't pose traditional brokered deposit risks.
    - The Proposed Rule's sweeping criteria for determining what constitutes a "deposit broker" will dramatically increase both the number of entities deemed "deposit brokers," and the volume of core deposits banks must classify as brokered deposits and will unintentionally increase liquidity and reputational risks for banks.

On behalf of CFG Bank, we greatly appreciate your consideration of our comment letter and sincerely ask you to reconsider proceeding with the new Proposed Rule.

Sincerely,

[redacted]

Erik Howard

President
CFG Bank

[redacted]

Email: [redacted]

Phone: [redacted]