



P.O. Box 835  
102 N. Houston Avenue  
Cameron, Texas 76520  
254-697-6461

November 13, 2024

James P. Sheesley  
Assistant Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington D.C. 20429  
([comments@fdic.gov](mailto:comments@fdic.gov))

Re: Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions RIN 3064-AF99

Dear Mr. Sheesley,

Thank you for the opportunity to share my thoughts and perspectives regarding the agencies proposed new rule regarding brokered deposits.

By way of introduction, my name is Terry Richter, and I am the Chief Executive Officer of Classic Bank, N.A. Established in 1889, our institution proudly serves the communities of Cameron, Rockdale, Rosebud, Giddings, Bastrop and Liberty Hill in central Texas. Our Mission Statement of "Building lifelong relationships by exceeding expectations" has guided our business practices from our bank's earliest days and our success in 2024 is due to our unfailing focus on this simple principle.

As such, I must tell you that we were caught by surprise by the restrictive language we found within the FDIC's August 23, 2024, proposed revisions to the current brokered deposits rule. As a small bank, serving rapidly growing communities with far fewer resources than our larger competitors, I am writing to express my concerns and to ask the following revisions to be incorporated into the FDIC's final rule:

- **Concern: The Substantial Expansion of the Deposit Broker Definition:** Adding a "compensation prong" and merging the "placing" and "facilitating" definitions into a single framework will lead to an overly broad interpretation of what constitutes a deposit broker. If read literally, the proposed definition would capture any third party that receives any compensation, from anyone, for any service that assists any insured depository institution ("IDIs") gather and/or retain any deposits. As FDIC Vice Chairman Travis Hill notes in his July 30, 2024, dissenting statement, "[t]his is a broad, sweeping criterion that—if applied literally and consistently—would capture a wide range of businesses that have any involvement in deposit arrangements." To compete, we must provide our customers with the competitive deposit products they want, and we must deliver the digital banking platform that make it



easy for them to open their accounts, conduct their banking activities and manage their individual and family finances. We rely on third parties to help us with these activities, but these third parties will not be able to provide their assistance if we are unable to pay them for their services.

- **Recommendation:** Create exclusions from the deposit broker definition for third parties who help insured depository institutions build direct relationships with individual depositors, provided the third party has no contractual agreement with any depositor to place, manage or control their money. In other words, as long as the bank establishes and owns the depositor relationship, any involvement of a third party should not result in the depositor's funds being declared brokered.
- **Concern: *The Punitive Restrictions Placed on Listing Services:*** I also have concerns about the restrictions the FDIC places on listing services. I see no reason to limit the compensation these entities can receive, nor do I believe their activities should be limited to solely displaying rates and listing their participants. Informed financial decisions involve more than just two (2) data points.

Listing services serve a genuine need in the market as informed decisions about financial services are based on more than just two data points. Online comparison-shopping sites enable consumers to evaluate potential providers based on detailed information regarding their products, rates, terms, conditions, fees, reviews, financial status, industry reputation, rewards, bonuses, locations, digital capabilities, special offers and community involvement, among other things. Informative sites help consumers identify financial institutions whose products, services and values align with their financial needs, geographic requirements, personal values and community involvement.

Additionally, these services make it easy for consumers to establish a relationship with their chosen IDI directly from the site. By removing operational obstacles (while maintaining regulatory consumer protections) during the application, approval and funding stages of establishing a new depositor relationship, these platforms provide an efficient and increasingly frictionless way for IDIs, especially community banks, to acquire singularly sourced, independent, direct depositor relationships that the IDI solely owns and controls, at an affordable price.

- **Recommendation:** The FDIC should create an express exclusion for listing services that enable IDIs to establish direct relationships with individual depositor that the IDI owns and controls provided that the listing service (a) does not have the legal authority to close an account or move a depositor's funds from one IDI to another IDI; (b) is not involved in negotiating or setting rates, fees, terms or conditions of any deposit account offered by any participating IDI; (c) does not propose, allocate, or determine deposit distributions among participating IDIs; (d) whose services allows consumers to compare institutions



and offerings based on criteria specifically selected and/or entered by the consumer; and (e) whose platform enables consumers to connect with an institution of their own choosing and apply for and fund their deposit account directly with that institution.

- **Concern: *The Failure to Exclude Stable Transaction & Reward-Based Account Deposits:*** Instead of focusing on the compensation third parties receive and on the marketing channels we may use to attract new deposits, we believe the FDIC should recognize and acknowledge the stable nature of the direct depositor relationships we are able to establish through the assistance of third parties and to acquire through these additional channels.
- **Recommendation:** The FDIC should create an exclusion from the brokered deposit definition for deposits that reside in transaction, reward-based and other relationship-based accounts that an individual depositor has with a bank. Such deposits would include checking, savings and individually held CDs when such accounts are fully insured, opened by an individual, held in the name of that person, utilized by that same person to receive deposits, make payments or save money and where that same person is the only one authorized to withdraw any funds. Deposits residing in such accounts are individually gathered, extremely "sticky" and thus pose no safety and soundness issues, no risk to the Deposit Insurance Fund and increase the franchise value of my institution. As such, they should be excluded from any brokered deposit designation or treatment.

There are other issues with the proposed rule including the process by which banks would have to apply for a primary purpose exception from the FDIC for each of its third-party deposit arrangements; and, with the Staff's increase in authority to evaluate these relationships subjectively, the proposed process lacks transparency and will confuse rather than clarify the deposit broker rules for the industry. Unfortunately, I do not have a well thought out solution to this concern.

Thank you for allowing me to share my perspectives. Again, I hope I have not mischaracterized or misconstrued anything within the proposed rule, but as currently written, the language harms rather than helps community banks, our customers and the communities we serve. I encourage the FDIC to consider and implement the commonsense revisions that I have documented above, and I look forward to seeing a more reasoned rule emerge.

Sincerely,

A solid black rectangular box used to redact the signature of Terry Richter.

Terry Richter  
Chief Executive Officer