

From: [Brad Bolton](#)
To: [Comments](#)
Subject: [EXTERNAL MESSAGE] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date: Thursday, November 14, 2024 5:21:48 PM

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 Brad Bolton, President/CEO of Community Spirit Bank, an approximately \$205 million asset community bank located in Red Bay, Alabama. I am writing to express my serious concerns regarding the FDIC's proposed rule relating to Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions (the "Proposed Rule"). If finalized as drafted, the Proposed Rule will harm community banks like ours and more importantly our customers. The FDIC should withdraw this proposal.

Our bank is a rural community bank serving 3-4 rural counties in Northwest Alabama and Northeast Mississippi. We are proud to have been serving as a protector of our areas throughout economic cycles since June 11, 1908. Last year alone, approximately 78% of loans made were to small business customers. Almost 1/3rd of our entire portfolio is in in house 1-4 family residential mortgages as well. We fund this local loan growth through a variety of deposit channels and the proposed rule will have a negative effect on our funding and liquidity strategies.

The primary issues within the proposal lie in the overly broad redefinition of the "deposit broker" concept and with the restrictions imposed upon digital marketing channels—both of which are essential for competitive participation in today's financial services landscape.

I am concerned the FDIC's proposal overlooks the need for community banks to have access to diverse funding sources. In reality, the FDIC should protect, not limit, community banks' abilities to access liquidity and partner with third parties to offer cost effective and competitive deposit services to their customers.

The proposed rule substantially broadens the scope of the "deposit broker" classification by consolidating the current "placing" and "facilitating" provisions and adding a new "compensation prong." Under this revised framework, any third party receiving compensation in exchange for supporting a bank's deposit-gathering activities could fall under this classification, irrespective of whether the bank maintains ownership and control of the

depositor relationship.

We do not believe this expansion fully aligns with the FDIC's regulatory intent. For instance, customer referral programs in which customers receive modest incentives for referring new depositors—would be precluded. These modest, low-risk incentive programs are a standard industry practice and are fundamentally different from the speculative and high-stakes behaviors the FDIC likely intends to address.

Currently, the proposal does not clearly differentiate between minor referral incentives and the aggressive, commission-driven tactics typically used by traditional deposit brokers. We strongly believe that the FDIC's objective is to target the latter, high-risk group, rather than the modest monetary bonuses employed by community banks to reward their customers for personal referrals. Thus, we urge a more differentiated and context-sensitive approach.

If adopted, the proposed rule's broad definition of brokered deposits would disproportionately affect community banks by increasing reporting requirements, elevating insurance assessments, and subjecting institutions to heightened regulatory scrutiny. Additionally, a brokered deposit classification carries a stigma that could weaken community trust and ultimately harm our institutional reputation.

Such a classification would also necessitate the reevaluation of third-party partnerships that play a critical role in customer acquisition and retention.

These types of accounts constitute low-cost, stable funding, which my institution prudently reinvests in our local economies. Furthermore, such accounts increase my franchise values as they are associated with tangible depositor relationships that I own and control and they reinforce the FDIC's objectives of promoting safe and sound banking practices.

It appears that the FDIC is attempting to paint the industry with a broad brush instead of a tailored approach to regulation. The large banking failures of 2023 do not represent my bank or other community banks in how we operate or do business. It appears to me that there is concern about how they did business and the effects on the DIF and resolution process with regard to how they obtained and treated brokered deposits. We as a community banking industry are not them and shouldn't be treated as such.

As such, we respectfully request that the FDIC withdraw the proposed rule to allow community banks to fully leverage third-party partnerships and digital marketing channels in the acquisition and retention of depositors.

Thank you for the opportunity to share my thoughts and suggestions. I hope the FDIC will incorporate my recommendations into the final rule.

Sincerely,

Brad Bolton
President & CEO
Community Spirit Bank
FDIC Certificate #50

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