

**From:** [Jenn R. Spartz](#)  
**To:** [Comments](#)  
**Subject:** [REDACTED] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)  
**Date:** Thursday, November 21, 2024 1:40:40 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 the Chief Risk Officer of Glenwood State Bank (“Bank”), a \$550 million asset community bank located in Glenwood, Minnesota. 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 and our customers. The FDIC should withdraw this proposal.

We have been serving the Glenwood area since 1906 and have played a critical role in the development of small businesses and in supporting our area farmers and residents.

It has been challenging to keep deposit growth up with the loan demand of our community, businesses, farmers, and residents. Competition has been fierce with the larger banks and credit unions offering higher rates for deposits. We have utilized alternative funding sources in order to meet the loan demand of our area. Banks that choose to partner with or utilize third party relationships to access diverse sources of funding, manage costs, and maximize deposit insurance coverage or provide other services for their customers should not be penalized as accepting “brokered deposits.”

### **The FDIC is Proposing to Limit Community Bank Funding Sources.**

#### **Brokered Deposits Restrictions Impose Unnecessary Costs on Community Banks and Consumers**

- Reclassifying deposits as brokered would impose serious costs and restrictions on us, including higher deposit insurance premiums, possibly lower CAMELS ratings, and additional regulatory scrutiny. Restrictions on brokered deposits could force us to forgo our relationships with third parties and terminate programs and services that benefit our customers and provide access to financial services for unbanked and underbanked

consumers.

- I am concerned the FDIC's proposal overlooks the need for community banks to have access to diverse funding sources. I am also concerned that this proposed framework will harm our ability to manage liquidity and maximize the deposit insurance protections for our customers.

### **Third party partnerships where fees are exchanged**

- Many community banks, including ourselves, utilize, or may wish to utilize in the future, third parties to facilitate deposit placements, offer specialized deposit products and services to their customers, maximize deposit insurance coverage for their customers, and broaden their deposit base to meet the lending needs of their local communities.
- I am 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. This could change some of our funding sources to be classified as brokered deposits, even when the deposit would not be considered "hot money" or "non-core funding." This could lead to the appearance of higher liquidity risk and/or less access to FDIC insurance for our customers utilizing these services.

### **Funds for State and Local Governments**

- Many state laws require state and local governments to bank within the state. Because of this, many community banks, including ourselves, receive and manage a substantial volume of public deposits. Under the current rules, advisory firms that help administer these funds and investments are excepted from the definition of a deposit broker if they place less than 25% of customer assets under administration, for a particular business line, at more than one bank. However, the FDIC is now proposing that this exception will only be available if less than 10% of the total assets under management, in a particular business line, is placed into non-maturity accounts at one or more IDIs.
- I am concerned the proposal's changes to the 25% test are a significant change that will negatively impact our community bank as well as many other community banks that manage public funds. We have several public deposits which are an important, and stable source of funding for our bank. These should not be considered brokered as past history proves they have been stable source of deposits for us.

**Jenn R. Spartz**

**Chief Risk Officer**

**Glenwood State Bank | Lowry State Bank | First National Bank of Osakis**

  
[www.glenwoodstate.bank](http://www.glenwoodstate.bank) | [www.lowrystate.bank](http://www.lowrystate.bank) | [www.fnbosakis.com](http://www.fnbosakis.com)

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