

**From:** [Bernie Gaytko](#)  
**To:** [Comments](#)  
**Subject:** [EXTERNAL MESSAGE] Brokered Deposit Restrictions  
**Date:** Thursday, November 14, 2024 3:34:21 PM  
**Attachments:** [Outlook-Logo Desc.png](#)

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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 writing to you today as CEO and President of Keen Bank, a \$180 million community bank in southern Minnesota, with 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. It is my recommendation that the FDIC should withdraw this proposal.

Our community bank just celebrated our 150th Anniversary this year and we remain proud of our long, successful history of serving our local community. We pride ourselves on the critical role we have played in helping small businesses start, grow and thrive, and our ability to provide the products and services our consumers require to navigate their financial needs.

Throughout the years, the bank has experienced and endured many economic and rate cycles, competitive pressures, and many other challenges which we have and continue to successfully address. Over the years, we have seen increased costs of technology, compliance, and personnel and have never lost sight of our lending responsibilities to our customers and small businesses. As consumers are bombarded with many options for their deposits and often maintain several banking relationships, our liquidity plan requires us from time to time to utilize outside sources of funding. It is my belief that 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."

This proposed rule would negatively limit our ability to utilize the funding sources we need to access to continue to provide resources needed for our communities and customers to grow. Specifically, I believe that brokered deposit restrictions impose unnecessary costs on community banks and consumers. Reclassifying deposits as brokered imposes serious costs and restrictions on community

banks, including higher deposit insurance premiums, possibly lower CAMELS ratings, and additional regulatory scrutiny. In some cases, restrictions on brokered deposits may force community banks to forgo their relationships with third parties and terminate programs and services that benefit their customers and provide access to financial services for unbanked and underbanked consumers. I am concerned that the FDIC's proposal overlooks the need for community banks to have access to diverse funding sources, while at the same time harming our ability to manage liquidity and maximize deposit insurance for our customers.

Furthermore, rescinding the approved "primary purpose" exception (PPE) and forcing community banks to reapply is both extreme and unnecessary. Rescinding PPE applications and notices that the FDIC previously granted to third parties and/or partner IDIs under the 2020 rules will materially disrupt, and in some cases, effectively cease partnerships and arrangements the FDIC now considers "risky," without the FDIC carrying its burden of identifying specific problems at specific institutions, and if necessary, taking enforcement actions against, specific banks and specific third parties. I am deeply concerned by the FDIC's proposal to rescind all approved PPE applications and notices. This is a punitive approach that is designed to target certain relationship models that capture every approved PPE regardless of model or demonstrated risk. If the FDIC believes a specific bank and its third party to pose unnecessary risks, it should follow its supervisory processes with respect to that single institution and its third party rather than rewrite the brokered deposit rules for the entire industry.

It is with these concerns that I urge you to withdraw the proposal in its entirety.

Thank you for taking the time to better understand how this proposal could impact our community bank and thank you for the opportunity to comment prior to considering this matter.

Sincerely,

**Bernie Gaytko**

President & CEO

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