

November 18, 2024

Mr. James P. Sheesley  
Assistant Executive Secretary  
Attention: Comments—RIN 3064-AF99  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Subject: FDIC’s proposed rule relating to Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions

Dear Mr. Sheesley,

As the CEO of Locality Bank, a denovo community bank serving South Florida, I am writing to express my concerns regarding the FDIC's proposed changes to the brokered deposits rule. While I understand the intent behind the proposal is to enhance the safety and soundness of the banking system, the unintended consequences of these changes could disproportionately impact community banks like ours, jeopardizing our ability to serve our customers and foster local economic growth.

We formed Locality Bank when the local businesses in our area could not access funds through the Payment Protection Program (PPP). Many of these businesses were concerned about their ability to remain solvent. It was these smaller locally owned businesses that were at risk as larger enterprises had access through the larger banks. Due to the large amount of bank consolidation in South Florida, we had only 3 banks headquartered in Broward County in 2020, a metropolitan area with over 2 million residents, down from 11 five years earlier. This explained the lack of accessibility to capital for many of the 98% of the businesses in the community with less than 500 employees.

We opened the bank with strong support from the business community and we have focused on serving the local business customer, the family business, the mom-and-pop operator, those who don’t have Wall Street connections. It takes deposits to fund these loans and gathering deposits as a new bank is challenging, especially with the bank failures of 2023.

In looking at those recent bank failures that occurred, it is interesting that the liquidity issues regarding brokered deposits were not considered. The introduction of the Notice of Proposed Rulemaking contains the statement, “The FDIC's statistical analyses and other studies have found that an IDI's use of brokered deposits in general is correlated with a higher probability of failure and higher losses to the DIF upon failure.” The footnote to this statement cites data from a study done July 8, 2011 and then cites that it was updated “with data through the end of 2017.

I would recommend that the FDIC look at more current data, specifically regarding the cause of the most recent failures and the impact of brokered deposits. It is my understanding that “core deposits”, many uninsured, rapidly left the bank through electronic transfers while “brokered

deposits” remained stable. Perhaps the wrong issue is being addressed here and if Safety and Soundness is the goal, let’s examine data that is more representative of the current banking system.

Using data from 2017 in today’s highly evolving technology enhanced banking system just doesn’t make sense. I would also suggest that data on the Banking as a Service issues that occurred with the bankruptcy of the middle ware entity Synapse be examined as well. These are truly Safety and Soundness issues that should be addressed.

Ultimately the citizens and business owners in Broward County, Florida, capitalized Locality Bank with their hard-earned dollars to create a capital source for our businesses. They have placed their deposits with us too, however there are times when a small bank has to fund loans, and we need to have a variety of sources of funding. By limiting those sources, the unintended consequences have an impact on small banks and in turn local companies. The same ones that had limited access to capital during the PPP.

We all want a safe and sound banking system and smart bankers welcome common-sense regulation that accomplishes those ends. Please take the comments of this long-time community banker and founder of two denovo banks to heart. There are many great community bankers across our country that wake up every day thinking about how we can continue the good work of keeping our local economy growing and prospering. I welcome the opportunity to discuss these concerns further and offer constructive feedback to achieve a balanced and effective regulatory solution

Thank you for your consideration of this important matter.

Sincerely,



Keith Costello  
Chairman, President & CEO  
Locality Bank  
Fort Lauderdale, FL 33316

