From: Anita Drentlaw
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 5:40:09 PM
Attachments: image001.png
image002.png
image003.png
image004.png

[redacted]

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 CEO/President/CFO of New Market Bank ("Bank"), a $180MM community bank located in the Minneapolis/St. Paul southern suburbs of Elko New Market, Lakeville and Prior Lake MN. 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.

As previously stated, our bank is located in the south metro of the Minneapolis/St. Paul area. We primarily lend to small businesses through commercial and commercial real estate loans as well as having a robust residential real estate/mortgage department. We recently began servicing several of the mortgages we originate and have started to grow our servicing portfolio. We are lucky to have growing communities that we serve; however, due to having several financial institution choices in our market and online, deposits are still extremely competitive.
The competitive market for deposits is due to several reasons. Several competitors such as credit unions, financial advisory firms and online deposit solutions are often able to offer higher rates than we can. Marketing, technology and staffing costs have also significantly increased, which can put pressure on the ability to gain and grow deposits. Although we are at times able to fund our lending activity without needing other funding sources, we along with other community banks do need to rely on or partner with other third-party relationships which can offer access to diverse sources of funding along with allowing us to maximize deposit insurance coverage and managing our costs. Providing these type of services or utilizing products to assist in managing our liquidity shouldn't penalize us by accepting brokered deposits.

There are two main issues I would like to address in this comment letter regarding the proposal. The first is that brokered deposit restrictions can impose unnecessary costs on community banks and consumers. If deposits are reclassified as brokered, additional costs and restrictions on community banks, including higher deposit insurance premiums, possible lower CAMELS rating and additional regulatory scrutiny could occur. This could lead to community banks eliminating their relationships with third parties that provide these services. In a time that liquidity is a major topic during every exam, this could limit community banks from having an outlet that helps them diversify their funding sources. The FDIC should protect, and not limit, community banks' abilities to access liquidity and not create an overly complicated and confusing framework for brokered deposit restrictions.

The second issue that would like to address is the part of the proposal which states that funds would be considered brokered if a fee was paid to a third party. Many community banks utilize, or would like to utilize in the future, third party relationships, online services and financial technologies to facilitate deposit placements, raise insured deposits, maximize deposit insurance coverage for their customers, diversify and de-risk their funding portfolio and broaden their deposit base in order to meet the lending needs of their local communities. I believe the proposal's criteria for determining "deposit brokers" will dramatically increase the number of entities deemed "deposit brokers" as simply receiving a fee for their services related to deposit placements can put them in the "deposit broker" category. This will cause additional deposits community banks currently count as core deposits to be classified as brokered deposits which therefore unintentionally increases liquidity risk for community banks.

In conclusion, New Market Bank would request the FDIC to consider withdrawing the Proposed Rule for the Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions as we believe it will have unintended negative consequences on community banks and the communities that they serve. We appreciate the opportunity to be able to submit a comment letter and would be happy to respond to any additional questions you may have by contacting me at [redacted].

Sincerely,

New Market BANK EST. 1905

Banking as Easy and Sincere as a Handshake

Anita Drentlaw
CEO & President & CFO | CPA

[redacted]

[redacted]
NewMarket.Bank

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