

From: [Brent Woodruff](#)
To: [Comments](#)
Subject: [REDACTED] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date: Friday, November 15, 2024 10:34:13 AM

[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 of Pilgrim Bank (“Bank”), a [insert asset size] community bank located in Pittsburg, TX. 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 are a rural bank in North East Texas with locations that stretch to the Texas Panhandle. We primarily serve hardworking poultry farmers, cotton producers and beef producers. We believe we play a part in the agriculture communities that we serve to provide the necessary lending to our State’s small farmers and ranchers.

Since the failure of banks in March, 2023 and the subsequent news reports that recklessly told consumers to move their money to larger banks that were too big to fail, we have had to compete harder for funding than I have experienced in my 42 years of banking. We have had to rely on alternative sources of funding in order to fund our loans for our agriculture customers. We also believe our elevated funding costs have in a way subsidized the larger too big to fail banks net interest margin and net income. 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.”

I am concerned the FDIC’s proposal overlooks the need for community banks to have access to diverse funding sources. 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. I am concerned the FDIC’s proposal creates an overly complicated and confusing framework for brokered deposits restrictions.

The proposed framework could harm community banks’ abilities to manage liquidity and maximize deposit insurance protections for their customers. The proposal will harm consumers by reducing access to financial services and increasing costs. The Proposal ignores the realities of modern banking by recategorizing massive volumes of stable, sticky deposits as brokered.

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 – a condition of doing business that captures virtually all third-party relationships related to deposit placement, even those that don’t pose traditional brokered deposit “hot money” risks. The proposal’s sweeping criteria for determining “deposit brokers” will dramatically increase both the number of entities deemed “deposit brokers,” and the volume of core deposits community banks must classify as brokered deposits, and will unintentionally increase liquidity risk for community banks.

I am concerned the proposal’s changes to the 25% test are a significant change that will negatively impact community banks that manage public funds. These deposits are an important, and stable source of funding for community banks that should not be considered brokered. The proposed 10% test will result in many community banks having to report higher volumes of brokered deposits, despite the fact these funds do not pose “hot money risk,” which will negatively impact bank liquidity.

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 but that captures 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 that single institution and its third party rather than rewrite the brokered deposit rules for the entire industry. Requiring IDIs to reapply for PPEs that the FDIC approved only a few years ago is an unnecessarily burdensome and costly exercise for community banks that will also increase the volume of PPE applications and notices the agency must process. The FDIC should not force community banks to reapply for PPE and incur operational costs to reassess on-balance/off-balance sheet strategies and engage outside counsel to reassess partnerships, submit new applications, amend existing agreements and draft new contracts.

Sincerely,

Brent Woodruff
CEO

Brent Woodruff
CEO and COO
Pilgrim Bank

[REDACTED]
Mount Pleasant, TX [REDACTED]
[REDACTED]



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