

From: [Timothy R. Aiken](#)
To: [Comments](#)
Subject: [EXTERNAL MESSAGE] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date: Wednesday, November 13, 2024 9:15:48 AM

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 President / CEO of Union Bank, Inc. (“Bank”), a \$390 million community bank located in Middlebourne, WV. 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.

My bank operates in four (4) rural counties, which are in the heart of the Marcellus shale gas field. This development has led to increased deposit balances for individuals, businesses, and municipalities in our service area, and we have used third-party arrangements to help us manage liquidity and to provide greater FDIC insurance coverage for our customers, where needed. These third-party arrangements allow my bank to compete for these local deposits and to retain them.

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 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 the FDIC's proposal overlooks the need for community banks to have access to diverse funding sources. Additionally, the Proposal ignores the realities of modern banking by re-categorizing massive volumes of stable, sticky deposits as brokered.

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

Many community banks utilize, or may wish to utilize in the future, third party partnerships, online services, and financial technologies to facilitate deposit placements, raise insured deposits, offer specialized deposit products and services to their customers, maximize deposit insurance coverage for their customers, diversify and de-risk their funding portfolio, 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 – 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.

- **Funds for State and Local Governments**

Many state laws require state and local governments to bank within the state – meaning community banks 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 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. My bank has historically had a large volume of public funds, as we serve four (4) rural counties in our primary service area. Recently, these local accounts have grown substantially, due to tax collections related to oil and gas development; thus the need for means (such as those provided by third parties) to manage and insure these funds has increased.

Rescinding Approved PPE Applications and Forcing Community Banks to Reapply for PPE is Both Extreme and Unnecessary.

- **Rescinding FDIC approved PPE applications and notices and requiring community banks to reapply for PPE is an overly punitive and costly exercise.**

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.

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.

Thank you for allowing me to express my concerns regarding this Proposal.

Sincerely,

Tim Aiken

