



Lee Milam, Jr
President

[REDACTED]
Whitesville, WV 25209

Member FDIC

[REDACTED]
www.whitesvillesb.com

November 13, 2024

James P. Sheesley
Assistant Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429
(comments@fdic.gov)

Re: Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions RIN 3064-AF99

Dear Mr. Sheesley,

Thank you for the opportunity to provide my thoughts regarding the FDIC's proposed revisions to the 2020 Final Rule on brokered deposits.

My name is Lee Milam, and I have the privilege of serving as Whitesville State Bank's President & CEO. Established in 1946, Whitesville State Bank has been a trusted financial institution in the heart of Whitesville, West Virginia, for decades. Created to serve the needs of the local community, particularly those in the coal mining industry that dominated the region, our bank has become the financial cornerstone for our area's residents and businesses alike. Known for our commitment to customer service and community support, we have played a significant role in the local economy by financing homeownership, small businesses, and local projects. Over the years, we've modernized our offerings, incorporated online banking and other digital banking services all the while staying true to our mission of providing friendly, reliable banking. Today, Whitesville State Bank continues to uphold our legacy of community-focused banking, ensuring that the people of Whitesville and our surrounding areas have access to the financial resources they need to thrive.

I am deeply concerned that the proposed rule changes could seriously impact our ability to attract new customers and secure the vital funding needed to support the communities we serve.

The proposed rule significantly broadens the definition of a deposit broker by merging the "placing" and "facilitating" definitions into one and adding a "compensation prong." If taken literally, this new definition would classify any third party receiving compensation from any source, in exchange for helping banks attract customers and gather deposits as a "deposit broker." Such a sweeping interpretation is overly broad and will have unintended and far-reaching consequences.

Comfort Branch

Crab Orchard Branch

Glen Daniel Branch

Belle Branch

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Potential Impacts on Community Banks

For example, the proposed rule would prevent us from running referral programs that offer customers modest rewards for referring friends, family, and colleagues. These popular and cost-effective programs are widely used by banks to strengthen customer loyalty and acquire new accounts. I don't believe it is the FDIC's intention to prevent customers from recommending our institution to others. Rather, I think the FDIC is intending to regulate large incentives that motivate traditional deposit brokers from randomly moving depositor funds from one institution to another in exchange for higher commissions or returns on the depositor's funds. Unfortunately, the proposed language lacks this critical nuance and would benefit from clarification.

Furthermore, the rule does not account for the digital banking landscape in which customers routinely use smartphones and tablets to evaluate financial products and providers. Restricting our use of digital marketing channels—like listing services and comparison websites—would hinder small banks like ours from effectively competing in the digital world.

The proposed rule also places an undue emphasis on the involvement and compensation of third parties rather than focusing on the primary relationship these entities help us establish with individual depositors. We urge the FDIC to recognize deposit stability that occurs when a direct, singularly sourced depositor relationship exists between a community bank and an individual—regardless of any third-party involvement. To support this goal, we respectfully suggest the following changes:

- **Exemption for Reward-Based and Transaction Accounts:** Exclude deposits from reward-based and transaction accounts from the brokered deposit definition, as long as the account is fully insured, held in an individual's name; is used regularly for banking activities by that same individual and only that accountholder is authorized by the insured depository institution to close the account or execute withdrawals. These deposits provide a stable, low-cost source of funding that enables us to reinvest in our communities responsibly.
- **Exclusion for Third-Party Facilitators:** We recommend creating a specific exclusion from the deposit broker definition for third parties that support banks in establishing direct depositor relationships, fully owned and controlled by the bank. This exclusion would apply if the third party has no control over the depositor's accounts or deposits, is not involved in negotiating account terms, does not propose or manage deposit allocations among insured institutions, and its platform does not operate the system of record for any depositor's transactions or funds.

To address the agency's concerns regarding "intermediaries," we suggest the FDIC clearly identify when certain bank-fintech partnerships are essentially acting as deposit brokers. Adding a criterion to the deposit broker definition—capturing any entity that directly markets, distributes, or facilitates deposit services directly to end users while serving as the system of record for those end-users' transactions and deposits would target relevant fintech partnerships without restricting general third-party support.

Lastly, we encourage the FDIC to work with Congress to replace Section 29 of the FDI Act with an asset growth restriction, as proposed in the Asset Growth Restriction Act (S.3962 in the 116th Congress and S.5347 in the 117th Congress). This legislative approach would better achieve the original statutory objectives while providing a regulatory framework that is simpler for the FDIC to administer.

Final Request

Comfort Branch
[REDACTED]

Crab Orchard Branch
[REDACTED]

Glen Daniel Branch
[REDACTED]

Belle Branch
[REDACTED]

We respectfully request that the FDIC revise the proposed rule to enable community banks to continue leveraging both traditional and digital channels, as well as third-party services, to establish and maintain direct depositor relationships with individuals who live, work, play and worship within our local communities. Additionally, we urge the FDIC to recognize the stability of insured transactions and reward-based accounts as core deposits, as they provide a safe and sustainable funding source that are essential for supporting our community lending needs.



With appreciation,

Lee Milam

President & CEO

Comfort Branch



Crab Orchard Branch



Glen Daniel Branch



Belle Branch



Whitesville State Bank
Whitesville, West Virginia 25209-0068

ADDRESS SERVICE REQUESTED

Account Information
1-800-657-4027



RECEIVED NOV 19 2024

James P. Sheesley
Assistant Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429

