



THE STATE EXCHANGE BANK
SINCE 1901

September 17, 2024

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

Attention: Comments – RIN 3064-AF-99

Dear Mr. Sheesley,

I am the Executive Vice President of The State Exchange Bank (“Bank”), a \$120 million state-chartered institution located in rural Oklahoma. I am writing to express deep concern regarding the proposed rule issued by the Federal Deposit Insurance Corporation (“FDIC”) entitled Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions (the “Proposed Rule”). If finalized as drafted, the Proposed Rule will harm the Bank and our customers.

We are a single location bank and have remained at our same location since our bank was chartered in 1901. As our town’s population has continued to decline, it has become more challenging to gather deposits from our local area in order to fund the Bank’s lending activities. We have ever increasing technology costs, marketing costs and increased competition from our country’s largest banks.

The Proposed Rule would retroactively and prospectively recharacterize as brokered deposits the deposits that we receive through arrangements with third parties in which the depositors control all the decisions regarding deposits and withdrawals, the Bank controls all the decisions regarding rates and terms of deposits and the third party takes no actions to influence depositor conduct (“Depositor-Controlled Arrangements”). This would be done by treating as a “deposit broker” a third party that has an arrangement with a bank where the bank pays the third party a fee in exchange for deposits being placed at the bank. Under the FDIC’s 2020 deposit broker rule, these deposits are not brokered deposits because no third party places the deposits or facilitates the placement of the deposits.

Depositor-Controlled Arrangements allow the Bank to reach a wide audience of potential depositors through the power of the Internet without incurring the significant costs of developing its own infrastructure. Such arrangements are a helpful evolution of the deposit listing service concept because they provide the marketing of a listing service together with critical infrastructure. Like deposit listing services, Depositor-Controlled Arrangements offer the Bank the same stable customer base as more traditional deposit gathering channels but with greater reach.

I share the FDIC's concern about arrangements in which banks attract "less stable" deposits that can "weaken the safety and soundness of IDIs and the banking system." Proposed Rule, p. 6. But, I fail to see how deposits a bank gathers through a Depositor-Controlled Arrangement are any less stable than deposits that the bank gathers through its own website. Frankly, in both cases it is the Internet that gives depositors ready access to their funds and which can accelerate withdrawals. The third party simply plays no role in depositor withdrawal decisions or the potential speed of withdrawals in a Depositor-Controlled Arrangement.

I also know that operational considerations are paramount to the way in which a bank works with a third party to gather deposits. But, I believe that banks can manage Depositor-Controlled Arrangements in a safe and sound manner by following the guidance in the recently issued *Joint Statement on Banks' Arrangements with Third Parties to Deliver Bank Deposit Products and Services*.

As a community banker, I have a sense of responsibility to the small businesses and consumers that the Bank serves. I am worried that if the FDIC recharacterizing deposits that the Bank gathers through Depositor-Controlled Arrangements as brokered deposits, the FDIC will cut off a valuable source of the Bank's funding through increased cost, operational burden and the regulatory scrutiny that accompanies brokered deposits. This will harm the Bank and our local community in Lamont without making the Bank or the banking system safer.

For these reasons, I urge the FDIC to reconsider this aspect of the Proposed Rule.

Sincerely,

A solid black rectangular redaction box covering the signature of Nancy Hohmann.

Nancy Hohmann



THE STATE EXCHANGE BANK

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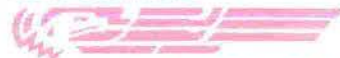
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