233 South 13th Street, Suite 700
Lincoln, Nebraska 68508
Phone: (402) 474-1555
Fax: (402) 474-2946
www.nebankers.org

NBA Nebraska Bankers Association

Extraordinary Service for Extraordinary Members

November 4, 2019

Robert E. Feldman, Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: RIN3064-AF02

Dear Mr. Feldman:

I write in response to the Notice of Proposed Rulemaking on Interest Rate Restrictions on Institutions That are Less Than Well-Capitalized (RIN 3064–AF02). This letter is submitted on behalf of the Nebraska Bankers Association (NBA) which is a trade association that represents 174 of the 180 commercial banks and savings institutions in the state of Nebraska.

We would encourage the FDIC to establish a national rate that reflects the market factors that drive deposit rates and allows banks and their examiners the flexibility to use alternatives under appropriate circumstances. The NBA is supportive of the FDIC's efforts on this issue and the broader proposal to modernize outdated brokered deposit rules. We appreciate recent clarifications that the rate cap restrictions do not – and should not – apply to well–capitalized institutions.

While generally supportive of the FDIC's proposal, it does not go far enough toward creating a robust market rate. As designed, it could lead to a pro–cyclical restriction of rates, since it does not take into account non–bank competitors (such as credit unions and non–bank financial firms) or capture many bank deposit products. The national rate should reflect a market rate that remains effective throughout the business and economic cycles. Application of non–competitive rates reduces the ability of weaker institutions to improve their condition as they are handicapped in their ability to raise prudent deposits.

As noted above, the FDIC should allow alternatives in addition to the establishment of a robust national rate. We support the proposed process changes to the local rate, but would encourage the FDIC to allow a bank to use 125% of the highest competing rate. This will provide safeguards against an overly restrictive rate that prohibits less than well-capitalized institutions from raising deposits. We would also encourage the FDIC to establish a periodically reviewed list of allowable alternatives, such as regional FHLB's, or other appropriate rates, which more accurately reflect the cost of funds within their region or competitive deposit market.

Once again, we appreciate your consideration of our interests in this issue.

Very truly yours,

Richard J. Baier
President & CEO

/tjm