

VIRGINIA BANKERS ASSOCIATION

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November 1, 2019

Via electronic submission

Robert E. Feldman
Executive Secretary,
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: RIN 3064–AF02, Interest Rate Restrictions on Institutions That Are Less Than Well Capitalized

Dear Mr. Feldman:

The Virginia Bankers Association (“VBA”) represents banks of all sizes and charters and has served as the organized voice for Virginia’s banking industry and its 42 thousand employees since 1893. The VBA is supportive of the FDIC’s efforts on this issue and the broader proposal to modernize outdated brokered deposit rules. We are appreciative of the recent clarification that the rate cap restrictions do not apply to well-capitalized institutions.

The FDIC’s proposal does not go far enough toward creating a robust market rate. It could also prove even more problematic for banks and lead to a pro-cyclical restriction of rates. The current proposal is problematic in that it does not take into account non-bank competitors (such as credit unions and non-bank financial firms) or capture many bank deposit products.

It is important that the national rate reflect a market rate so that it remains robust throughout the business and economic cycles. A non-competitive rate can reduce the ability of weaker institutions to improve their condition as they are limited in their ability to raise prudent deposits. The VBA strongly recommends that the FDIC base its rate on transparent and publicly available market data, such as the Treasury and Fed funds markets.

In addition to a robust national rate, the FDIC should allow alternatives. We support the proposed process changes to the local rate, but urge the FDIC to allow a bank to use 125 percent of the highest competing rate. This will safeguard against an overly restrictive rate that prohibits less than well capitalized institutions from raising deposits. We also encourage the FDIC to establish a periodically reviewed list of allowable alternatives, such a regional FHLB’s rates, or other

appropriate rates, which reflect the cost of funds within their region or competitive deposit market.

Thank you for the opportunity to provide comments. If you have any questions, please feel free to contact me at 804-819-4701 or bwhitehurst@vabankers.org.

Sincerely,

A handwritten signature in blue ink that reads "Bruce T. Whitehurst". The signature is written in a cursive, flowing style.

Bruce T. Whitehurst
President & CEO