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*President and CEO*

July 19, 2017

The Honorable Mark R. Warner  
United States Senate  
Washington, D.C. 20510

The Honorable Jerry Moran  
United States Senate  
Washington, D.C. 20510

Dear Senators Warner and Moran:

On behalf of the nearly 5,000 community banks represented by ICBA, I write to express our support for the “Keeping Capital Local for Underserved Communities Act of 2017” (S. 1500), which would allow “reciprocal deposits” to serve as a stable source of funding that supports community bank lending in their communities.

Reciprocal deposits allow a community bank to accept a deposit that exceeds the \$250,000 insurance limit by distributing it through a network of banks and receiving reciprocal deposits from other banks in the networks. This solution allows a large local depositor – such as a local government or foundation – to obtain insurance coverage and allows banks to accept an equivalent amount of deposits to support local lending. Unfortunately, reciprocal deposits have become caught up in the definition of “brokered deposit” in the Federal Deposit Insurance Act. Reciprocal deposits did not exist when the law was enacted, and reciprocal deposits do not act like the type of deposits the law was meant to cover. Studies have shown that reciprocal deposits act similarly to other core deposits: they are from local customers, earn the local interest rate, and are stable sources of funding. Because reciprocal deposits are wrongly governed by the law on brokered deposits, it is difficult for community banks to utilize their full potential.

S. 1500 addresses this issue by providing a targeted exception for reciprocal deposits from the definition of a brokered deposit without compromising safety and soundness protections. This important bill will support local depositors while supporting stable funding for community lending.

Thank you for introducing S. 1500. We look forward to working with you to advance this legislation.

Sincerely,

/s/

Camden R. Fine  
President & CEO

CC: Members of the Senate Banking Committee

*The Nation’s Voice for Community Banks.®*

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