



**CITIZENS
BANK** SINCE 1904

ADMINISTRATIVE OFFICES • 1917 HEIMAN ST. • NASHVILLE, TN 37208

Telephone: (615) 327-9787

Dr. Deborah A. Cole
President and Chief Executive Officer

August 26, 2015

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

Re: Federal Deposit Insurance Corporation Notice of Proposed
Rulemaking (RIN 3064-AE37)

Dear Mr. Feldman:

Citizens Savings Bank and Trust Company is a \$103-million-asset bank headquartered in Nashville, TN. In business since 1904, our bank is the oldest continuously operating minority-owned and operated bank in the country. We are proud of our heritage.

We have three full service offices, two in Nashville and one in Memphis and we also have a loan and deposit production operation in Memphis. We are a member of the National Bankers Association and the American Bankers Association. **We accept reciprocal deposits, which – at \$30.5 million – currently account for about 33 percent of our total deposits. Reciprocal deposits play a critical role in our funding strategy.**

The reciprocal deposits we hold are represented by long-time customers of the bank. The following are examples (not all inclusive) of customers in our reciprocal deposits:

- A publishing board which has been a customer of the bank for well over 30 years.
- A local credit union that has been a bank customer for over 30 years.
- The company of our majority stockholder.
- Governmental deposits with relationships in excess of 30 years.
- A corporation that has banked with us for over 5 years.
- A Tennessee bank that has maintained a deposit and loan participation relationship with Citizens for many years.
- A major bank that has been a customer of the bank for several years.

OVER 100 YEARS OF PROMISES KEPT!

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) on insurance assessments for small banks, and particularly on the impact this proposal would have on banks such as ours that hold reciprocal deposits. Reciprocal deposits under the proposal would be treated in the same way as traditional brokered deposits. The result would be that assessments for banks holding reciprocal deposits would be higher than would otherwise be the case.

In short, the proposal would arbitrarily impose a significant penalty on banks that use reciprocal deposits, a penalty that would hit minority-owned banks like ours the hardest. Reciprocal deposits enable banks like ours to attract large deposits from socially-motivated investors. As a result, we rely on reciprocal deposits much more than other community banks do. If this penalty is imposed as proposed, it will affect us disproportionately, and the communities and people we serve will suffer reduced credit opportunities.

The proposal provides no data and gives no reason why reciprocal deposits should bear this penalty. In fact, reciprocal deposits in general exhibit characteristics of a core deposit. Customer relationships typically are long term. We set the interest rates based on our local market conditions. These are not “hot” deposits that flow from bank to bank chasing interest rates.

The current system takes these characteristics into account in setting assessments for small banks, recognizing reciprocal deposits can provide banks with a stable source of funds. This recognition and treatment are absent in the FDIC’s proposal. We encourage you to revise the proposal so that it reflects the current treatment of reciprocal deposits.

Further, we strongly urge the FDIC to support legislation explicitly exempting reciprocal deposits from the definition of brokered deposits in the Federal Deposit Insurance Act, which would settle any uncertainty as to their status. We sincerely appreciate the assistance provided to minority depository institutions by the FDIC and ask that you give positive consideration to this request.

Sincerely,

A handwritten signature in cursive script, appearing to read "Deborah A. Cole".

Deborah A. Cole, G.G., M.B.A., D.M.

President and Chief Executive Officer

cc:

The Honorable Jim Cooper
U.S. House of Representatives
1536 LHOB
Independence & New Jersey Aves., SE
Washington, DC 20515

The Honorable Steve Cohen
U.S. House of Representatives
2404 RHOB
Independence Ave. & S. Capitol St., SW
Washington, DC 20515

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
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