



EAGLE BANK

S&K BANCORP

Of the land, lake and people.

August 28, 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:

Eagle Bank is a community bank owned by the Confederated Salish and Kootenai Tribes of the Flathead Nation on behalf of their approximately 7,500 members. The bank was founded in 2006 in Polson, MT, with the explicit purpose of providing affordable financial services for all tribal members, as well as anyone else on the 1.3 million acre Flathead Reservation.

The members of the Tribes are the bank's only shareholders. Our bank holding company, Salish and Kootenai Bancorporation, is the only federally chartered bank holding company organized under Section 17 of the Indian Reorganization Act of 1934. Eagle Bank is one of only nine banks recognized by the Federal Deposit Insurance Corporation (FDIC) as being owned by an individual Native American Tribe.

Eagle Bank has developed a specialty in the HUD 184 Guaranteed Loan program, a federal loan-guarantee program that was created to serve homebuyers on reservation lands. In addition to serving the Flathead Reservation, Eagle Bank now provides housing loans to homebuyers on other reservations for the Blackfeet, Northern Cheyenne and Fort Belknap tribes.

We have one office, \$51 million in assets and \$46 million in deposits. Approximately one-third of our deposits are reciprocal deposits. Because we are a minority-owned bank reciprocal deposits play a critical role in our funding strategy.

We welcome the opportunity to comment on the FDIC's Notice of Proposed Rulemaking (NPR) on insurance assessments for small banks, and particularly on the impact this proposal would have on minority-owned banks such as ours that hold reciprocal deposits.

To make loans, we need deposits. 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 investors. As a result, we rely on reciprocal deposits much more than other community banks do. We put that money to work in our community. If this penalty is imposed as proposed, it will affect us disproportionately, and the community we serve will suffer from decreased credit opportunities.

The proposal provides no data and gives no reason why this stable, nonvolatile source of funding 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 they 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.

Sincerely,

Andrew West

President and Chief Executive Officer

cc:

The Honorable Jon Tester
U.S. Senate
311 Hart Senate Office Building
Washington, DC 20510

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Steve Daines
U.S. Senate
1 Russell Senate Office Building
Washington, DC 20510