

November 30, 2015

The Honorable Jeb Hensarling
U.S. House of Representatives
2228 Rayburn House Office Building
Independence Ave. & South Capitol St., SW
Washington, DC 20515

The Honorable Maxine Waters
U.S. House of Representative
2221 Rayburn House Office Building
Independence Ave. & South Capitol St., SW
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters,

I am writing on behalf of the members of the Community Development Bankers Association (CDBA). The CDBA represents 59 Federal and state chartered banks and thrifts that are certified by the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund as targeting 60 percent or more of our total financing to low income communities and people. Our members serve as engines of economic inclusion throughout the United States. We share a common mission of improving communities and lives.

CDBA members – more than half of the nation's certified CDFI banks – serve our nation's most distressed and credit-starved communities. We operate in communities with modest discretionary income and we often find that income insufficient to raise the deposits we need to fund loans. Therefore, as an integral part of our strategy, we raise deposits from civic-minded and socially-motivated individuals and institutions such as local governments, charitable organizations and civic-minded corporations. The nation's 169 Minority Depository Institutions (MDIs), many of which are also CDFIs, often follow the same funding strategy for the same reason. Our common experience demonstrates that investors are willing to invest much larger deposits in CDFI banks and MDIs if they are assured those deposits are secured. Further, many of these depositors often have requirements that their deposits be fully insured. Reciprocal deposits provide that assurance. Without access to large institutional deposits, many of our loans could not be made.

The problem is that reciprocal deposits are legally defined as brokered deposits in the Federal Deposit Insurance Act (FDIA) despite the fact that they are really stable core deposits. Created only 12 years ago, long after that law was enacted, reciprocal deposits typically do not present any of the regulatory concerns that traditional brokered deposits do: instability, risk of rapid asset growth, and high cost. Yet the law treats them the same way and, in doing so, has a chilling effect on our members' use of reciprocal deposits.

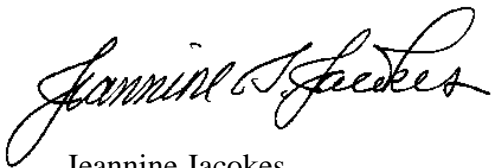
To better understand the scope of the issue for our members, CDBA and the National Bankers Association (NBA) recently undertook a joint survey of 126 institutions. Fifty-five – or 43.6 percent – responded, a very high response rate. Of the respondents, 78 percent said that they currently use reciprocal deposits or have in the past. More than 75 percent, however, said that they have limited their use of reciprocal deposits due to perceived stigma, regulatory pressure, or concerns about their availability if their institution becomes troubled. Almost 95 percent said that there was a need to exempt reciprocal deposits from the definition of brokered deposits to settle any uncertainty as to their status. Lastly, 87 percent said they would expand their use of reciprocal deposits if they were exempted from the definition of brokered deposits.

More reciprocal deposits would result in more loans in the communities that need loans the most.

Our members have for years discussed the challenges they have experienced simply from reciprocal deposits being defined as brokered deposits. These problems are real. Excepting reciprocal deposits from the definition of brokered deposits in the Federal Deposit Insurance Act would help the nation's CDFI Bank better achieve their mission.

The CDBA, therefore, strongly urges passage of H.R. 4116, bipartisan legislation which, with strong safety and soundness protections, would except reciprocal deposits from that definition.

Sincerely,



Jeannine Jacokes
Chief Executive and Policy Advisor
Community Development Bankers Association

The Membership of the Community Development Bankers Association

ABC Bank (Chicago, IL)
Albina Community Bank (Portland, OR)
Bank2 (Oklahoma City, OK)
BankFirst Financial Services (Macon, MS)
Bank of Anguilla (Anguilla, MS)
Bank of Commerce (Greenwood, MS)
Bank of Kilmichael (Kilmichael, MS)
Bank of Lake Village (Lake Village AR)
Bank of Montgomery (Montgomery, LA)
Bank of Vernon (Vernon, AL)
BankPlus (Ridgeland, MS)
Beneficial State Bank (Oakland, CA)
Broadway Federal Bank (Los Angeles, CA)

Carver Federal Savings Bank (New York, NY)
Carver State Bank (Savannah, GA)
Central Bank of Kansas City (Kansas City, MO)
Citizens National Bank (Meridian, MS)
City First Bank of DC (Washington, DC)
City National Bank of New Jersey (Newark, NJ)
Community Bancshares of Mississippi (Brandon, MS)
Community Bank of the Bay (Oakland, CA)
Concordia Bank (Vidalia LA)
Cross Keys Bank (St. Joseph, LA)
Farmers & Merchants Bank (Baldwyn, MS)
First American International Bank (Brooklyn, NY)
First Eagle Bank (Chicago, IL)
First Independence Bank (Detroit, MI)
First Security Bank (Batesville, MS)
First SouthWest Bank (Alamosa, CO)
Guaranty Bank and Trust Company (Belzoni, MS)
Illinois Service Federal Savings and Loan Association (Chicago, IL)
Industrial Bank (Washington, DC)
International Bank of Chicago (Stone Park, IL)
Mechanics and Farmers Bank (Durham, NC)
Merchants and Planters Bank (Raymond, MS)
Metro Bank (Louisville, KY)
Mission Valley Bank (Sun Valley, CA)
Native American Bank (Denver, CO)
Neighborhood National Bank (National City, CA)
NOAH Bank (Elkins Park, PA)
OneUnited Bank (Boston, MA)
Oxford University Bank (Oxford, MS)
Pan American Bank (Los Angeles, CA)
Pan American Bank (Chicago, IL)
Peoples Bank (Mendenhall, MS)
Richland State Bank (Mangham LA)
RiverHills Bank (Port Gibson, MS)
Security Federal Bank (Aiken, SC)
Southern Bancorp (Little Rock, AR)
Spring Bank (Bronx, NY)
Start Community Bank (New Haven, CT)
State Bank & Trust Company (Greenwood, MS)
Sunrise Banks (St. Paul, MN)
The Commercial Bank (DeKalb, MS)
The First, A National Banking Association (Hattiesburg, MS)
The Jefferson Bank (Greenville MS)
United Bank (Atmore, AL)
United Bank of Philadelphia (Philadelphia, PA)
Urban Partnership Bank (Chicago, IL)
Virginia Community Capital (Christiansburg, VA)