VIA EMAIL comments@fdic.gov

Robert E Feldman
Executive Secretary
Attention: Comments
550 17th Street NW
Washington DC 20429

Re: Brokered Deposits RIN 3064-AE94

Dear Mr. Feldman:

This letter is Medallion Bank's response to the Advance Notice of Proposed Rulemaking issued by the FDIC regarding their review of the regulatory approach to brokered deposits. We appreciate the opportunity to communicate our positive experience with brokered deposits and the benefits the use of brokered deposits provided us over the past 15 years.

Medallion Bank (the Bank) is an FDIC-insured, limited service industrial bank headquartered in Salt Lake City, Utah. The Bank was formed in May 2002 and opened its doors in 2003. The Bank is a wholly owned subsidiary of Medallion Financial Corp. and has no branches. The Bank originates consumer loans for the purchase of recreational vehicles ("RVs"), boats and trailers and to finance home improvements such as replacement windows and roofs. Prior to 2014 the Bank originated commercial loans to finance the purchase of taxi medallions, which are serviced by the Bank's affiliates who have extensive experience in this asset type.

The loans we originate are financed primarily with time certificates of deposits which are originated nationally through a dozen brokered deposit relationships. The Bank has been and currently is nearly 100% funded by brokered deposits.

The Bank has experienced great success with brokered deposits since its formation. Brokered deposits have been an exceedingly stable and reliable source of funds. Unlike core deposits, which have few or no restrictions on early withdrawal, our brokered deposits are non-cancelable except in the case of death or adjudication of incompetence of the owner. For this reason, withdrawals are rare and of relatively small dollar. The Bank has never had a withdrawal for any other reason. Because of this brokered deposit feature, a run on the Bank is far less likely than with a core-deposit funded bank. Despite

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their reputation as a risky form of funding, brokered deposits serve as an effective risk mitigator in these circumstances.

Another feature of brokered deposits, their predictability, is also an advantage over core-deposit funding. Brokered deposits allow the Bank to match funds with the terms of new loans with limited risk of miscalculation or unexpected shifts in the behavior of deposit customers. The Bank has significantly lower interest rate risk compared to institutions using core deposits.

While the use of brokered deposits generally produces a higher cost of funds, that cost is essentially a trade-off of operational expense for interest expense. Because our other costs are much lower than they would be with the branch-driven model necessary to attract core deposits, our efficiency ratio is exceptionally low. Penalizing banks like us for pursuing efficiency over low interest expense incentivizes a high-cost operating model over a low-cost operating model. We see that as counter-intuitive and potentially counter-productive.

The Bank has found that brokered deposits fit our needs in a way that traditional, core deposits simply cannot. Brokered deposits are safe and reliable; they lower interest rate risk when matched with loans terms; and they carry much lower costs and are available when needed. As with almost all industrial banks, we have a long-term track record of safety and soundness. This is not to say that we don't face unexpected events and challenges, but our use of brokered deposits is a correlation not a cause. Brokered deposits have been part of our history of success. These deposits have not increased the overall risk of the Bank, and our experience reflects that of many others: brokered deposits are among the most stable sources of funds.

We respectfully request that regulators focus on how insured depositories use the deposits they receive, rather than on what institutions call these deposits. In our view, history has shown that a better course would be to eliminate barriers to the use of brokered deposits by well-capitalized banks that have sound contingency plans in the event of impairment.

That type of modification of the status quo is what is needed in order to allow well-capitalized banks to compete in today's market.

We are grateful that the FDIC is reviewing outdated regulations regarding brokered deposits and liquidity, and would be happy to provide additional information about our experience with these valuable financial instruments.

Sincerely, [redacted]

Trent Hudson
Senior Vice President/Chief Financial Officer