

Eaglemark Savings Bank

3850 Arrowhead Drive
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May 7, 2019

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

Re: Unsafe and Unsound Banking Practices-Brokered Deposits RIN 3064-AE94

Dear Mr. Feldman:

Thank you for the opportunity to respond to the Advance Notice of Proposed Rulemaking (the "ANPR") issued by the Federal Deposit Insurance Corporation ("FDIC") pursuant to a comprehensive review of the regulatory approach to brokered deposits and the interest rate caps applicable to banks that are less than well-capitalized. We especially appreciate the FDIC's willingness to review brokered deposit and interest-rate regulations because of "changes in technology, business models, the economic environment, and products since the regulations were adopted" in 1989.

Eaglemark Savings Bank ("ESB" or the "Bank") is an FDIC insured and regulated bank (in the form of an Industrial Loan Company) which is also licensed and regulated by the State of Nevada. The Bank's current business model focuses on providing loans to individuals who purchase and finance new or used Harley-Davidson motorcycles in the United States.

While our bank does not currently fund its activities through brokered deposits - we have studied this market closely following the 2008-2009 Great Financial Crisis to understand if we would have been better or worse off if we had been actively using brokered deposits. Our conclusion is that we would have been better off. As a result, we are currently exploring options related to accepting brokered deposits.

For ESB, brokered deposits would allow for more diversification in our funding sources and consequently would reduce our funding risks and enhance the Bank's stability during times of capital markets disruption. In addition to lowering our risk, we have compared the cost of brokered deposits to our current sources of funding and have found brokered deposits to be cost competitive - further supporting the conclusion that brokered deposits could complement our broader funding portfolio.

If our sources of funding and liquidity were limited by the restrictions on the use of brokered deposits - it would prevent us from having the opportunity to lower our risks and funding costs.

As with almost all industrial banks, we are very proud to have a long-term track record of safety and soundness. While we are not currently using brokered deposits - after our analysis of how brokered deposits could fit into our funding base, our review of how other organizations are currently using brokered deposits and how they used them during the Great Financial Crisis - we are confident that accepting brokered deposits will not pose an inherent higher risk to ESB.



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We respectfully request that regulators focus on how insured depositories use the deposits they receive, rather than on what institutions call these deposits. In fact, history has shown that the better course would be to focus on the contingency funding plans that FDIC insured banks have in place and the robustness of those contingency funding plans.

That type of dramatic modification 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 we plan to provide the FDIC additional information about our plans for brokered deposits.

Sincerely,


J. Darrell Thomas
VP, Treasurer and Chief Financial Officer



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