119TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
119–362

KEEPING DEPOSITS LOCAL ACT

NOVEMBER 4, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

REPORT

[To accompany H.R. 3234]

The Committee on Financial Services, to whom was referred the bill (H.R. 3234) to amend the Federal Deposit Insurance Act to modify the amount of reciprocal deposits of an insured depository institution that are not considered to be funds obtained by or through a deposit broker, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Keeping Deposits Local Act".

69–006

SEC. 2. AMOUNT OF RECIPROCAL DEPOSITS THAT ARE NOT CONSIDERED TO BE FUNDS OBTAINED BY OR THROUGH A DEPOSIT BROKER.

Section 29(i) of the Federal Deposit Insurance Act (12 U.S.C. 1831f(i)) is amended by striking paragraph (1) and inserting the following:

"(1) IN GENERAL.—The sum of the following amounts of reciprocal deposits of an agent institution shall not be considered to be funds obtained, directly or indirectly, by or through a deposit broker:

"(A) An amount equal to 50 percent of the portion of the total liabilities of the agent institution that is less than or equal to $1,000,000,000.

"(B) An amount equal to 40 percent of the portion, if any, of the total liabilities of the agent institution that is greater than $1,000,000,000, but less than or equal to $10,000,000,000.

"(C) An amount equal to 30 percent of the portion, if any, of the total liabilities of the agent institution that is greater than $10,000,000,000, but less than or equal to $250,000,000,000.".

SEC. 3. DEFINITION OF AGENT INSTITUTION.

Section 29(i)(2)(A)(i) of the Federal Deposit Insurance Act (12 U.S.C. 1831f(i)(2)(A)(i)) is amended by striking subclause (I) and inserting the following:

"(I) when most recently examined under section 10(d) was assigned a CAMELS rating of 1, 2, or 3 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); and".

SEC. 4. RECIPROCAL DEPOSITS STUDY.

(a) IN GENERAL.—The Federal Deposit Insurance Corporation, in consultation with the Board of Governors of the Federal Reserve System, shall carry out a study on reciprocal deposits.

(b) CONTENTS.—The study required under subsection (a) shall include—

(1) an analysis of how reciprocal deposits have performed since 2018, which shall include—

(A) the use of quantitative and qualitative data;

(B) a breakdown of the usage of reciprocal deposits by size of insured depository institution;

(C) the usage of reciprocal deposits during periods of stress; and

(D) an analysis, to the extent practicable, of end-user depositors, such as municipalities, businesses, and non-profit organizations, that drive demand for reciprocal products;

(2) an analysis, to the extent practicable, of how reciprocal deposits compare to other deposit arrangements; and

(3) an analysis of the benefits and potential risks of reciprocal deposits.

(c) REPORT.—Not later than 6 months after the date of enactment of this Act, the Federal Deposit Insurance Corporation shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing all findings and determinations made in carrying out the report required under subsection (a).

PURPOSE AND SUMMARY

H.R. 3234, the *Keeping Deposits Local Act*, was introduced on May 7, 2025, by Republican Representative Tom Emmer (MN–06). H.R. 3234 modifies the amount of reciprocal deposits of an insured depository institution that are not considered to be brokered deposits under a graduated scale based on an institution's total liabilities and asset size. It also allows institutions that receive a CAMELS composite rating of 1, 2, or 3 that are well capitalized to use this framework.

BACKGROUND AND NEED FOR LEGISLATION

Brokered deposits are a class of deposits created when an entity (called a "deposit broker") facilitates the placement of one bank's deposits into one or more other banks. Because they generally represent a less-stable source of funding and liquidity, prone to withdrawal in pursuit of higher interest rates paid elsewhere and prone to flight in instances of a bank's instability, brokered deposits may only be accepted without restriction by banks that meet the regulatory definition of "well capitalized" or by banks that meet the regulatory definition of "adequately capitalized" with FDIC approval, but not by banks that are considered "undercapitalized."

H.R. 3234 modifies the amount of reciprocal deposits that are considered to be non-brokered by applying a tiered system based on total liabilities:

- 50 percent of the portion of total liabilities that is less than or equal to $1 billion;
- 40 percent of the portion (if any) of total liabilities that is greater than $1 billion, but less than or equal to $10 billion; and
- 30 percent of the portion (if any) of total liabilities that is greater than or equal to $10 billion, but less than $250 billion.

This system would be available for institutions that: have received a composite CAMELS rating of 1, 2, or 3 in their most recent examination and that are well capitalized; have obtained a waiver from the FDIC; or that receive an amount of reciprocal deposits less than the average amount held in the prior four calendar quarters following a bank examination finding the institution to be in a less-than-fair composite condition or not well capitalized.

Committee Consideration

119TH CONGRESS

On May 7, 2025, Representative Emmer introduced H.R. 3234, the *Keeping Deposits Local Act*, with Representatives Joyce Beatty (D–OH), Dan Meuser (R–PA), and Gwen Moore (D–WI) as original cosponsors. Representatives Andy Barr (R–KY), Mike Flood (R–NE), Roger Williams (R–TX), Mike Ezell (R–MS), Pete Sessions (R–TX), Jared Golden (D–ME), and Jack Bergman (R–MI) were added subsequently as cosponsors. The bill was referred solely to the Committee on Financial Services. In addition, Senator Mike Rounds (R–SD) introduced S. 2757, a companion bill to H.R. 3234, on September 10, 2025, with Senator Mark Warner (D–VA) as an original cosponsor. This bill was referred to the Committee on Banking, Housing, and Urban Affairs.

H.R. 3234 was attached to the September 9, 2025, hearing titled "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience."

On September 16, 2025, the Committee on Financial Services met in open session to consider, among others, H.R. 3234. The Committee ordered H.R. 3234, as amended, to be favorably reported to the House of Representatives.

Related Hearings

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearing was used to develop H.R. 3234:

The Subcommittee on Financial Institutions held a September 9, 2025, hearing titled "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience." H.R. 3234 was noticed for legislative consideration in the hearing. The subcommittee heard testimony from the following witnesses: Mr. Dory Wiley, President and CEO, Commerce Street Holdings; Mr. James B. Barresi, Partner, Squire Patton Boggs; Mr. Hugh Carney, Executive Vice President of Financial Institution Policy and Regulatory Affairs, American Bankers Association; Dr. Norbert Michel, Vice President and Director, Cato Institute Center for Monetary and Financial Alternatives; and Mr. Robert James, President and CEO, Carver Financial Corporation, on behalf of the National Bankers Association.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include record votes on the motion to report legislation and amendments thereto.

On September 16, 2025, the Committee ordered H.R. 3234, as amended, to be reported favorably to the House by a recorded vote of 51 yeas and 0 nays, a quorum being present. (Record Vote No. FC–199).

The Committee considered the following amendments to H.R. 3234:

- Representative Emmer offered an amendment in the nature of a substitute, which made minor edits and technical changes. This amendment was adopted by a voice vote.
- Representative Emmer offered an amendment (No. 2), designated EMMER_013. This amendment strikes a portion of the bill that included additional total liability tiers for reciprocal deposits that are not considered to be brokered deposits for total liabilities between $250 billion and $1 trillion and for total liabilities above $1 trillion. Additionally, this amendment requires the FDIC, in consultation with the Federal Reserve Board, to conduct a study on reciprocal deposits. This amendment was adopted by a voice vote.

Committee on Financial Services

Markup 8
September 16, 2025

Bill: **H.R. 3234**
Measure: **H.R. 3234 (as amended)**
Amdt/Designated:

Record Vote No.
FC-199

Motion: **to report favorably**
Disposition: **AGREED TO (51-0)**

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill	X			Ranking Member Waters	X		
Mr. Lucas	X			Ms. Velázquez	X		
Mr. Sessions	X			Mr. Sherman	X		
Mr. Huizenga	X			Mr. Meeks	X		
Mrs. Wagner	X			Mr. Scott	X		
Mr. Barr	X			Mr. Lynch	X		
Mr. Williams (TX)	X			Mr. Green (TX)	X		
Mr. Emmer	X			Mr. Cleaver	X		
Mr. Loudermilk	X			Mr. Himes	X		
Mr. Davidson	X			Mr. Foster	X		
Mr. Rose	X			Mrs. Beatty	X		
Mr. Steil	X			Mr. Vargas	X		
Mr. Timmons	X			Mr. Gottheimer	X		
Mr. Stutzman	X			Mr. Gonzalez	X		
Mr. Norman	X			Mr. Casten	X		
Mr. Meuser	X			Ms. Pressley	X		
Mrs. Kim	X			Ms. Tlaib	X		
Mr. Donalds			X	Mr. Torres (NY)	X		
Mr. Garbarino	X			Ms. Garcia (TX)	X		
Mr. Fitzgerald	X			Ms. Williams of GA	X		
Mr. Flood	X			Ms. Pettersen	X		
Mr. Lawler	X			Mr. Fields	X		
Ms. De La Cruz	X			Ms. Bynum	X		
Mr. Ogles			X	Mr. Liccardo	X		
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar			X				
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	27	**0**	**3**		**24**	**0**	**0**

Committee Totals:	Yeas	Nays	Not Voting
	51	**0**	**3**

Committee Oversight Findings

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives are incorporated in the descriptive portions of this report.

Performance Goals and Objectives

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 3234 is to modernize regulatory thresholds for the amount of reciprocal deposits that are not considered to be brokered deposits so that well-managed and well-capitalized banks can take advantage of accessing diverse sources of funding that are FDIC-insured.

Committee Cost Estimate

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 3234. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

New Budget Authority and CBO Cost Estimate

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee will adopt as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office. However, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

Unfunded Mandates Statement

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

Earmark Statement

In compliance with clause 9 of rule XXI of the Rules of the House of Representatives, this bill, as reported, contains no congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

Federal Advisory Committee Act Statement

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

Applicability to the Legislative Branch

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act*.

Duplication of Federal Programs

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

Section-by-Section Analysis of the Legislation

Section 1. Short title

Section 1 provides the short title is the "Keeping Deposits Local Act".

Section 2. Amount of reciprocal deposits that are not considered to be funds obtained by or through a deposit broker

Section 2 establishes the sum of the amounts of reciprocal deposits of an agent institution to not be considered funds obtained through a deposit broker as:

- 50 percent of the portion of total liabilities that is less than or equal to $1 billion;
- 40 percent of the portion (if any) of total liabilities that is greater than $1 billion, but less than or equal to $10 billion;
- 30 percent of the portion (if any) of total liabilities that is greater than or equal to $10 billion, but less than $250 billion.

Section 3. Definition of agent institution

Section 3 defines "agent institution" as an insured depository institution that, when most recently examined, was assigned a CAMELS rating of 1, 2, or 3 under the Uniform Financial Institutions Rating System, or an equivalent rating under a comparable rating system.

Section 4. Reciprocal deposits study

Section 4 requires the FDIC, in consultation with the Federal Reserve Board, to conduct a study on reciprocal deposits. This study shall include an analysis on the performance of reciprocal deposits since 2018 using quantitative and qualitative data, a breakdown of the usage of reciprocal deposits by size of institution, the usage of reciprocal deposits during periods of stress, and an analysis of end-user depositors that drive demand for reciprocal deposits. The study also shall include an analysis of how reciprocal deposits compare to other deposit arrangements and the benefits and potential risks of reciprocal deposits. The FDIC is required to submit a report including the findings of the study, no later than six months after the date of enactment of this Act, to the House Committee on Financial Services and the Senate Committee on Banking, Housing, and Urban Development.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

FEDERAL DEPOSIT INSURANCE ACT

* * * * * * *

SEC. 29. BROKERED DEPOSITS.

(a) IN GENERAL.—An insured depository institution that is not well capitalized may not accept funds obtained, directly or indirectly, by or through any deposit broker for deposit into 1 or more deposit accounts.

(b) RENEWALS AND ROLLOVERS TREATED AS ACCEPTANCE OF FUNDS.—Any renewal of an account in any troubled institution and any rollover of any amount on deposit in any such account shall be treated as an acceptance of funds by such troubled institution for purposes of subsection (a).

(c) WAIVER AUTHORITY.—The Corporation may, on a case-by-case basis and upon application by an insured depository institution which is adequately capitalized (but not well capitalized), waive the applicability of subsection (a) upon a finding that the acceptance of such deposits does not constitute an unsafe or unsound practice with respect to such institution.

(d) LIMITED EXCEPTION FOR CERTAIN CONSERVATORSHIPS.—In the case of any insured depository institution for which the Corporation has been appointed as conservator, subsection (a) shall not apply to the acceptance of deposits (described in such subsection) by such institution if the Corporation determines that the acceptance of such deposits—

(1) is not an unsafe or unsound practice;

(2) is necessary to enable the institution to meet the demands of its depositors or pay its obligations in the ordinary course of business; and

(3) is consistent with the conservator's fiduciary duty to minimize the institution's losses.

Effective 90 days after the date on which the institution was placed in conservatorship, the institution may not accept such deposits.

(e) RESTRICTION ON INTEREST RATE PAID.—

(1) DEFINITIONS.—In this subsection—

(A) the terms "agent institution", "reciprocal deposits", and "well capitalized" have the meanings given those terms in subsection (i); and

(B) the term "covered insured depository institution" means an insured depository institution that—

(i) under subsection (c) or (d), accepts funds obtained, directly or indirectly, by or through a deposit broker; or

(ii) while acting as an agent institution under subsection (i), accepts reciprocal deposits while not well capitalized.

(2) PROHIBITION.—A covered insured depository institution may not pay a rate of interest on funds or reciprocal deposits described in paragraph (1) that, at the time that the funds or reciprocal deposits are accepted, significantly exceeds the limit set forth in paragraph (3).

(3) LIMIT ON INTEREST RATES.—The limit on the rate of interest referred to in paragraph (2) shall be—

(A) the rate paid on deposits of similar maturity in the normal market area of the covered insured depository institution for deposits accepted in the normal market area of the covered insured depository institution; or

(B) the national rate paid on deposits of comparable maturity, as established by the Corporation, for deposits accepted outside the normal market area of the covered insured depository institution.

(f) ADDITIONAL RESTRICTIONS.—The Corporation may impose, by regulation or order, such additional restrictions on the acceptance of brokered deposits by any institution as the Corporation may determine to be appropriate.

(g) DEFINITIONS RELATING TO DEPOSIT BROKER.—

(1) DEPOSIT BROKER.—The term “deposit broker” means—

(A) any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties; and

(B) an agent or trustee who establishes a deposit account to facilitate a business arrangement with an insured depository institution to use the proceeds of the account to fund a prearranged loan.

(2) EXCLUSIONS.—The term “deposit broker” does not include—

(A) an insured depository institution, with respect to funds placed with that depository institution;

(B) an employee of an insured depository institution, with respect to funds placed with the employing depository institution;

(C) a trust department of an insured depository institution, if the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;

(D) the trustee of a pension or other employee benefit plan, with respect to funds of the plan;

(E) a person acting as a plan administrator or an investment adviser in connection with a pension plan or other employee benefit plan provided that that person is performing managerial functions with respect to the plan;

(F) the trustee of a testamentary account;

(G) the trustee of an irrevocable trust (other than one described in paragraph (1)(B)), as long as the trust in question has not been established for the primary purpose of placing funds with insured depository institutions;

(H) a trustee or custodian of a pension or profitsharing plan qualified under section 401(d) or 403(a) of the Internal Revenue Code of 1986; or

(I) an agent or nominee whose primary purpose is not the placement of funds with depository institutions.

(3) INCLUSION OF DEPOSITORY INSTITUTIONS ENGAGING IN CERTAIN ACTIVITIES.—Notwithstanding paragraph (2), the term "deposit broker" includes any insured depository institution that is not well capitalized (as defined in section 38), and any employee of such institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions in such depository institution's normal market area.

(4) EMPLOYEE.—For purposes of this subsection, the term "employee" means any employee—

(A) who is employed exclusively by the insured depository institution;

(B) whose compensation is primarily in the form of a salary;

(C) who does not share such employee's compensation with a deposit broker; and

(D) whose office space or place of business is used exclusively for the benefit of the insured depository institution which employs such individual.

(h) DEPOSIT SOLICITATION RESTRICTED.—An insured depository institution that is undercapitalized, as defined in section 38, shall not solicit deposits by offering rates of interest that are significantly higher than the prevailing rates of interest on insured deposits—

(1) in such institution's normal market areas; or

(2) in the market area in which such deposits would otherwise be accepted.

(i) LIMITED EXCEPTION FOR RECIPROCAL DEPOSITS.—

⟦(1) IN GENERAL.—Reciprocal deposits of an agent institution shall not be considered to be funds obtained, directly or indirectly, by or through a deposit broker to the extent that the total amount of such reciprocal deposits does not exceed the lesser of—

⟦(A) $5,000,000,000; or

⟦(B) an amount equal to 20 percent of the total liabilities of the agent institution.⟧

(1) IN GENERAL.—The sum of the following amounts of reciprocal deposits of an agent institution shall not be considered to be funds obtained, directly or indirectly, by or through a deposit broker:

(A) An amount equal to 50 percent of the portion of the total liabilities of the agent institution that is less than or equal to $1,000,000,000.

(B) An amount equal to 40 percent of the portion, if any, of the total liabilities of the agent institution that is greater

than $1,000,000,000, but less than or equal to $10,000,000,000.

(C) An amount equal to 30 percent of the portion, if any, of the total liabilities of the agent institution that is greater than $10,000,000,000, but less than or equal to $250,000,000,000.

(2) DEFINITIONS.—In this subsection:

(A) AGENT INSTITUTION.—The term "agent institution" means an insured depository institution that places a covered deposit through a deposit placement network at other insured depository institutions in amounts that are less than or equal to the standard maximum deposit insurance amount, specifying the interest rate to be paid for such amounts, if the insured depository institution—

(i)[(I) when most recently examined under section 10(d) was found to have a composite condition of outstanding or good; and]

(I) when most recently examined under section 10(d) was assigned a CAMELS rating of 1, 2, or 3 under the Uniform Financial Institutions Rating System (or an equivalent rating under a comparable rating system); and

(II) is well capitalized;

(ii) has obtained a waiver pursuant to subsection (c); or

(iii) does not receive an amount of reciprocal deposits that causes the total amount of reciprocal deposits held by the agent institution to be greater than the average of the total amount of reciprocal deposits held by the agent institution on the last day of each of the 4 calendar quarters preceding the calendar quarter in which the agent institution was found not to have a composite condition of outstanding or good or was determined to be not well capitalized.

(B) COVERED DEPOSIT.—The term "covered deposit" means a deposit that—

(i) is submitted for placement through a deposit placement network by an agent institution; and

(ii) does not consist of funds that were obtained for the agent institution, directly or indirectly, by or through a deposit broker before submission for placement through a deposit placement network.

(C) DEPOSIT PLACEMENT NETWORK.—The term "deposit placement network" means a network in which an insured depository institution participates, together with other insured depository institutions, for the processing and receipt of reciprocal deposits.

(D) NETWORK MEMBER BANK.—The term "network member bank" means an insured depository institution that is a member of a deposit placement network.

(E) RECIPROCAL DEPOSITS.—The term "reciprocal deposits" means deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network member banks.

(F) WELL CAPITALIZED.—The term "well capitalized" has the meaning given the term in section 38(b)(1).

* * * * * * *

DOCUMENTS INCLUDED BY UNANIMOUS CONSENT

OBL
Ohio Bankers League

Representative Beatty,

On behalf of the Ohio Bankers League (OBL), the trade association representing banks and thrifts of all sizes across the state of Ohio, I write to express our strong support for H.R. 3234, bipartisan legislation that modernizes the treatment of reciprocal deposits and provides long-overdue regulatory clarity for an essential community banking tool.

Reciprocal Deposits Strengthen Communities

Reciprocal deposits are a stable source of liquidity grounded in trust and local relationships. They enable customers—businesses, municipalities, nonprofits, and individuals—to access higher levels of FDIC insurance while ensuring their funds remain invested in their local economy. This structure is a win-win: depositors gain peace of mind, and banks are empowered to channel more capital into lending for businesses, homeowners, and public services.

Since the failure of Silicon Valley Bank in the spring of 2023, demand for reciprocal deposit products is at an all-time high. Reciprocal deposits played a key role in stabilizing institutions across Ohio and the nation, allowing banks to reassure depositors and maintain critical funding.

Why H.R. 3234 is Needed

Unfortunately, current law restricts the extent to which reciprocal deposits can be classified as "non-brokered," limiting their utility. Statutory caps—set at the lesser of $5 billion or 20% of liabilities—were enacted in 2018 as a cautious first step. But today, these rigid thresholds are outdated and are forcing banks to unnecessarily treat relationship-based reciprocal deposits as brokered, which invites supervisory scrutiny and higher insurance assessments.

H.R. 3234 replaces these arbitrary limits with a modern, tiered framework that is scaled based on a bank's size:

- 50% of a bank's first $1 billion of liabilities
- 40% of liabilities between $1–10 billion
- 30% of liabilities between $10–250 billion
- 20% of liabilities between $250 billion–$1 trillion
- 2% of liabilities above $1 trillion

The bill also ensures that well-capitalized banks with a CAMELS rating of 3 can continue to utilize reciprocal deposits, an important update for community institutions working to strengthen their condition.

Impact on Community Banks and Local Economies
This change is especially critical for community development financial institutions (CDFIs), minority depository institutions (MDIs), and rural banks that rely heavily on reciprocal deposits to serve their customers. These banks often attract deposits from foundations, nonprofits, and municipalities that require full FDIC insurance coverage. Reciprocal networks make that possible while keeping the deposits local. By updating the law, H.R. 3234 will immediately grant relief to hundreds of banks already at or near the outdated cap, freeing them to deploy more capital into the local economy without being penalized.

Conclusion
Reciprocal deposits are not brokered "hot money." They are relationship deposits—stable, insured, and deeply tied to the communities our members serve. H.R. 3234 recognizes this reality and modernizes the law accordingly. By passing this bill, Congress will help strengthen community banks, bolster depositor confidence, and ensure that more funds remain available for investment in Main Street businesses and families.

The Ohio Bankers League is proud to support this legislation and urges swift passage.

Sincerely,

Michael Adelman
President & CEO

CC: Members of the House Financial Services Committee