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Subject: Reg D, Q, & DD

Comments:

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Proposal: Regulation D, Q, and DD - Prohibition Against Payment of Interest on Demand Deposits
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Comments:

I strongly oppose the repeal of Regulation Q, which will have dire effects on community banking. This repeal alone is guaranteed to increase the cost of funds; couple that with the inevitable rise in rates and a bank's viability becomes a huge concern. Additionally, interest rate risk will be increased as banks largest source of stable, fixed rate deposits shift to variable rates. This shift has the potential to place many banks in a liability sensitive position at a time when rates have nowhere to go but up. The increase in costs of funds and increase in interest rate risk will negatively impact the small businesses and commercial customers that utilize community banks because banks will have to increase service fees and will provide less fixed rate financing options in an effort to minimize interest rate volatility. The elimination of Regulation Q will be a detriment to the nation's community banks.