

SHAWN DUTTON TESTIMONY

IN SUPPORT OF HOUSE BILL 163

My name is Shawn Dutton, I am President of First Security Bank of Roundup, and I also serve as a director of the Montana Independent Bankers Assoc. and have 34 years of Community Banking experience in Montana. My purpose today is to ask for your support for a small change to MCA 17-6-103, which controls what can be pledged to secure deposits of public funds in Banks in Montana. The current law provides a list of numerous securities, bonds, and investments that can be used but does not include one of the safest and most readily available investments Banks have, FDIC insured Certificates of Deposit.

My Bank ranges from \$11 million to over \$15 million in Public funds on deposit, that we must pledge investments to secure. At present we are pledging primarily Agency bonds, Treasury bonds and Municipal bonds from our \$30 million investment portfolio. With over 1/3 and at times over 1/2 of our portfolio needing to be pledged we are limited in what types of investments we can consider. The ability to use FDIC insured CD's would open another \$2 to \$5 million of our portfolio to pledging and make additional investments in CD's more appealing. In fact, in today's investment market these CD's are yielding .25 to .75% more than Bonds of the same maturity. These increased yields allow us to pay higher interest rates for deposits or charge lower interest rates on loans in our communities, which helps our local economy and benefits the tax base that generates those public funds we are securing.

In summary we are asking to add another investment that is safer than some already available to the list of investments we can use to secure public deposits. This will help community banks meet the needs of cities, counties, local hospitals, and other public entities and help keep those funds in our communities instead of getting sent out of town or out of state where they will provide no local benefit.