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August 1, 2022

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments – RIN 3064-AF83
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

VIA ELECTRONIC SUBMISSION

Re: Assessments, Revised Deposit Insurance Assessment Rates
RIN 3064-AF83

The proposed change to FDIC premiums increases assessment rates by 2 basis points for all institutions. While driven by sound principles, the proposed rulemaking requires additional consideration before taking effect in Q1 of 2023.

The proposal indicates the FDIC's forecasted growth in the Deposit Insurance Fund (DIF) will not reach the required minimum level of 1.35 percent by Q3 of 2028. The likelihood of reaching 1.35 percent is based on multiple estimates: expected growth in insured deposit balances, expected average assessment rates, the fund's investment income and fund loss provisions. Forecasts for these key elements are being made at a time when volatility is high (deposit growth rates and investment returns), yet uncertainty is also significant. Although total bank deposit balances increased significantly in 2020 and 2021, industry-wide balances decreased during Q2 of 2022. The magnitude of the proposed assessment rate increase is too abrupt and could rely too heavily on an outsized growth rate, which appears to be normalizing.

Additionally, the proposed 2 basis point increase has no consideration for the risk profile of each institution. Today, the assessment rate at the lowest-risk depository institutions is 3 basis points. An institution with this low-risk profile would be faced with a 67% increase to its deposit insurance expense. The proposal references the increase is expected to reflect 1% of an institution's net income. With 2022 Q1 industry returns of 1.02% ROAA, the impact to income is likely closer to an additional 2% of net income for many low-risk institutions.

While FDIC premiums may need to be raised to ensure DIF balance targets are met, increases should be commensurate with an institution's risk-profile. Calibrating the increased burden based on existing assessment rate criteria would be straightforward and further incent appropriate balance sheet risk management practices. Any increase to assessment rates should be a proportionate reflection of risk, not evenly allocated based on asset size.

We also appreciate the opportunity to comment on two questions raised in the Proposed Rulemaking related to the regulatory capital rules.

Question 1 of the Proposed Rulemaking asks;

> *Question 1: The FDIC invites comment on its proposal to increase deposit insurance assessment rates uniformly by 2 basis points, beginning with the first quarterly assessment period of 2023. How does the approach in the proposed rule support or not support the objectives of the Amended Restoration Plan and the FDIC's long-term fund management plan?*

Raising FDIC assessment rates will support the likelihood of attaining the DIF target by Q3 of 2028. However, current economic volatility may overstate the rate at which assessments must be collected to achieve the target.

Question 2 of the Proposed Rulemaking asks;

> *Question 2: The FDIC invites comment on the reasonable and possible alternatives described in this proposed rule. What are other reasonable and possible alternatives that the FDIC should consider?*

A risk-based approach to increasing assessment rates should be considered. An institution with a low risk profile should not experience the same rate increase as an institution with a higher risk asset mix.

As a mid-sized bank, we agree the FDIC's ability to protect deposits during a downturn is critical to the stability of the banking industry. Although economic uncertainty has recently been front of mind, domestic banks are well capitalized, have strong risk-weighted capital ratios, and have robust allowances for loan losses. The strength in the industry allows for a more metered approach to attaining the target DIF level.

Thank you for your consideration of our comments. If you have any questions or need clarification on any issues raised, please contact me at (303) 235-1356.

Sincerely,

[redacted]

Mike Kirby
Controller
FirstBank Holding Company