233 South 13th Street, Suite 700
Lincoln, Nebraska 68508
Phone: (402) 474-1555
Fax: (402) 474-2946
www.nebankers.org

*Extraordinary Service for Extraordinary Members*

August 19, 2022
Via email: comments@fdic.gov

James P. Sheesley, Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 204429

RE: Comments on Proposed Rulemaking regarding Assessments, Revised Deposit Insurance Assessment Rates (RIN 3064-AF83)

Dear Mr. Sheesley:

On behalf of the Nebraska Bankers Association (NBA), we appreciate the opportunity to submit these comments on the proposed rule to increase initial base deposit insurance assessment rates. The NBA is a trade association representing 159 of the 169 commercial banks and savings institutions in the state of Nebraska. The NBA and our members oppose the proposed rule and respectfully request that the FDIC refrain from taking action for the reasons outlined below.

The proposed rule would increase initial base deposit insurance assessment rates charged to FDIC-insured depository institutions by two basis points beginning in the first quarterly assessment period of 2023 and continuing until the FDIC's Deposit Insurance Fund (DIF) reaches a Deposit Reserve Ratio (DRR) of 2% of total insured deposits for all FDIC-insured institutions.

The FDIC's proposed assessment increase is neither necessary nor supported by the current state of the economy. As proposed, the two-basis-point increase in assessment rates is based on FDIC calculations relating to the increase in deposits experienced within the industry and losses in the FDIC's securities portfolio. The significant growth in insured deposits resulted from the COVID-19 related pandemic relief provided by the federal government. The level of deposits held by the banking industry is receding and recent and continuing actions by the Federal Reserve, which are designed to contract the money supply, will further serve to decrease the amount of deposits held by the banking industry and move the DIF to the required statutory level (1.35%). In addition, insured banks should not be responsible for the investment decisions of the FDIC and losses sustained within its securities portfolio. The burden of increased assessment rates resulting from the manner in which the FDIC managed its investments should not be shifted to banks.

The FDIC has targeted a 2% DRR to provide additional cushion above the statutorily mandated 1.35% DRR levels. The 2% DRR threshold is not statutorily required and is unnecessary in light of the banking industry being far better capitalized and maintaining a higher level of reserves to protect against DIF losses than was the case following the 2008 financial crisis. The proposed two-basis-point increase in the FDIC assessment rate is not supported by current market conditions and would have a significant negative impact on community banks in Nebraska and throughout the United States.

While acknowledging the need to restore the reserve ratio to the statutory minimum of 1.35% by September 30, 2028, the FDIC should be able to meet this requirement utilizing the current level of assessments and at a minimum, should postpone consideration of any increase in assessment rates to allow additional time to reconsider the assumptions upon which the proposed significant rate increase is predicated, including further consideration of reduced deposit levels and evolving market conditions. The FDIC should also give greater credence to the significant safety and soundness and capital adequacy safeguards which exist in the banking industry today.

We encourage the FDIC to withdraw the proposed rule, continue to monitor deposit levels into the future and after further consideration of market conditions, only re-propose the rule, if necessary, to properly fund the DIF.

We appreciate the opportunity to comment on the proposed rule and thank you for your consideration of our comments.

Very Truly Yours,

Richard J. Baier
President &CEO
richard.baier@nebankers.org