Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: RIN 3064-AF93

Dear Chairman Martin J. Gruenberg:

Thank you for the opportunity to comment on the proposed rulemaking on the special assessment to recover the cost associated with protecting uninsured depositors following the closures of Silicon Valley and Signature Bank.

Guided by a vision of a nation where persistent poverty no longer exists, six regional Community Development Financial Institutions (CDFIs) located in and serving regions with a high prevalence of rural persistent poverty came together. The CDFIs—Come Dream | Come Build (cdcb) of Brownsville, Communities Unlimited, Fahe, First Nations Oweesta Corporation, (HOPE) Hope Credit Union and Hope Enterprise Corporation, and Rural Community Assistance Corporation— formed a coalition, named Partners for Rural Transformation (PRT). Our Partners all live in and serve regions with higher concentrations of rural persistent poverty counties, including: the Rio Grande Valley, the Deep South, Appalachia, Native Communities, the Mississippi Delta, and the Rural West farming regions.

Therefore, as representatives of regions long neglected in regulatory practices, we applaud the FDIC for designing an assessment structure that places the cost on those that precipitated this most recent banking crisis. In the past, rural areas and persistent poverty communities bore that cost in the form of resulting bank consolidations following crisis and subsequent regulatory responses.

A closer look at persistent poverty America reveals how structural exclusion by place and race continues to paint a picture that is steadfastly rural and marred by racial, capital and data inequity. Rural America faces systematic, avoidable, and unjust economic, health, and racial disparities. Legacies of forced geographic and cultural displacement, enslavement, financial discrimination, residential segregation, and transitioning economies have left an indelible mark. PRT Partners are dedicated to providing critical financial services to areas that otherwise have none in order to reach communities where the racial wealth gap is at its widest.

PRT Partners and National Partners are equipped with a deep institutional knowledge of the challenges faced by these communities. It is from this vantage point that we voice our support for the proposed structure of the special assessment which takes context into account to ensure the cost is bore by those institutions that not only received the benefit but who, candidly, engage in the unmoored lending practices that create financial contagion in the first place. Previous efforts to address the aftereffects of financial crisis

have ignored such context in favor of one-size-fits-all prescriptions contributing to catastrophic banking consolidations throughout the American heartland. The resultant damming of liquidity away from rural areas stymied economic opportunities for low-income Americans in these regions seeking home loans, consumer credit, or small business capital. Far from a market determined outcome, this has been an intentional policy choice. The FDIC's proposed assessment structure, which excludes institutions with under $5 billion in uninsured deposits, is an important step in acknowledging the need to protect smaller, more localized institutions from the increasingly common instability in the financial sector.

Question 1: Should the special assessment be calculated as proposed?
Question 5: Is the deduction of $5 billion of aggregate estimated uninsured deposits from the assessment base for the special assessment for each IDI or banking organization appropriate? Why?

Yes and yes. The under $5 billion in uninsured deposits exception ensures smaller banks, particularly community banks, are excluded from the assessment. In the United States, financial crises have often been followed by banking consolidation. NCRC notes in their 2022 research report that since the Savings and Loan Crisis of the 1980s, when cyclical financial volatility became the new normal, 2/3 of all banking institutions have disappeared. In 1984, there were over 18,000 banks. Now, there are fewer than 5,000. One third of all closings have occurred in low-to-moderate income neighborhoods, many of them rural. Following the financial crisis of 2008, 80 new banking deserts formed in rural America, the result of mergers decimating smaller institutions (even still, community banks represent the vast majority or remaining physical branch locations in the United States). According to the analysis by the Federal Reserve Bank of Philadelphia, the rise of banking deserts causes "high transaction costs for basic financial services, particularly when alternative providers such as payday lenders fill the gap." In addition, these closings disproportionately impact rural communities of color.

More than the elimination of physical spaces for financial transactions, as important as they are, the sundering of community banks also removes incubators of rural wealth. These are often highly specialized financial institutions which by the FDIC's own analysis hold a "stronger asset quality" than their larger/noncommunity peers. This stems from the proximity to their day-to-day customers and their resultant specialization in community real estate designed to meet the needs of the places they live in. Community banks hold two thirds of all commercial real estate loans in rural and small metros, making them important sources of liquidity for small businesses and multi-family housing developments in areas with few outside alternatives.

Lastly, continued consolidation has made enforcement of the Community Reinvestment Act, or CRA, more difficult. As smaller institutions wither and larger ones withdraw from rural communities, there no longer exists an infrastructure capable of fulfilling CRA obligations. In short, the point becomes moot if there are no existing banks left in rural places across America and this matters because CRA is often referenced as the most

meaningful vehicle for driving investment in places that need it, especially for communities of color.

Far from the inevitable outcome of the market, the decline of community banks has been, at least in part, a deliberate policy choice. Regulators and reformers across the spectrum have ignored the unique needs of community banks, deeming them, by omission, as the opposite of "systemically important" because their asset totals don't meet the lofty standards of the more totalizing institutions consistently engaged in riskier practices precisely because they no longer hold a physical commitment to place-based reality. We applaud the FDIC's assessment in this matter, which by design, acknowledges the need to reverse course on policies like those found in the Dodd-Frank legislation that ignored context to craft one-size-fits all regulatory responses to crisis. This practice accelerated consolidation among smaller banks, both by forcing many to "exit the industry" but also by making new ones less likely to form in the future. It is essential that this mistake is not continually repeated following each crisis.

Please reach out to the contact information below if you have any questions or want to have secondary follow-up discussions. Again, PRT is thankful for the opportunity to comment and uplift the current proposed rule.

In partnership,

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COMMUNITIES Unlimited

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