From: Anita Drentlaw
To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064-AG15
Date: Saturday, September 20, 2025 2:21:50 PM
Attachments: image001.png
image002.png
image003.png
image004.png

[redacted]

Ms. Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments
RIN 3064-AG15
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Comment on Proposal to Raise & Index Asset Thresholds

Dear Ms. Jones,

New Market Bank ("NMB") appreciates the opportunity to comment on the FDIC's proposal to raise and index certain regulatory thresholds, particularly Part 363's independent audit and reporting requirements. New Market Bank is a 120-year old family-owned community bank serving the southwest Twin Cities Metropolitan area primarily in Dakota and Scott counties of Minnesota with offices located in Elko New Market, Lakeville, and Prior Lake. The communities we serve are on the fringe of the metropolitan area where the city meets country. NMB serves our communities by providing employment opportunities for about 45 team members or 35 FTE's. We have approximately $189 million in assets as of 06/30/2025. As a state chartered, Fed non-member bank the FDIC is our prudential regulator. I support this proposal and ask it to be finalized quickly in order to modernize the outdated thresholds in Part 363 and give needed relief to community banks who have grown in asset size due to consolidation and/or inflation without increasing the risk to our banking system.

The FDIC Part 363 rule requiring banks with assets over $500MM was implemented over 20 years ago. Since that time, community banks have experienced exponential grow, much of which was related to the pandemic. The $500MM limit hasn't be indexed for inflation or the changes the industry has experienced. I would request revisiting the asset limit to move it to banks over $1B in assets.

Although our bank has yet to reach the $500MM asset size, I have several peers that are reaching it now or surpassed it suddenly during the pandemic. Although we are smaller, we run our banks very similarly and have comparable levels of risk. It appears that a $500MM bank is more like a $200MM bank than a $1B bank due to the type of transactions conducted and products offered.

The burden on these banks that cross over the $500MM threshold is large. On average an audit in the MN market costs between $65,000-$70,000 per year. This is equivalent to a full-time position at the bank. The audits typically have item requests of over 100 items with related emails over 300 between various people at the bank with the auditors. One bank estimated that their annual audit costs them 140+ hours of their staff's time. The need for independence is also a concern as the bank has to maintain two accounting relationships – one for tax and one for audit. This is an added vendor management burden as due diligence needs to be done annually on two companies rather than one. Overall, the bankers I spoke to that are covered by this rule find very little value as there are often no findings and few recommendations for best practices.

In addition to raising the basic audit requirement asset threshold, I support also raising the asset threshold for the requirement of an auditor's attestation regarding effectiveness of internal controls over financial reporting. Although the proposal includes a new threshold of $5B over the current $1B in assets, I would suggest a threshold of $10B in assets. This would align better with regulatory requirements in today's banking landscape and prevent institutions from being subjected to expensive compliance burdens prematurely. Banks between $5B and $10B often fall within the definition of community banks which operate with a community focused business model and lack the complexity of the largest institutions. Those large institutions over the $10B asset threshold hold about 85% of assets in the banking sector and pose the most significant risk to our financial system. Subjecting banks under the $10B asset threshold to the enhanced audit requirements imposes costs that are not proportionate to their risk profile.

Finally, I support indexing the thresholds so they are updated automatically and don't remain artificially low for decades imposing undue burden on banks as they grow but still pose a low risk to the financial system. Although the proposed indexing methodology would be better than nothing, I would urge you to consider discussing advantages and disadvantages to using a milestone approach so that threshold adjustments reflect a material change as a result of inflation. An example of this would be milestone amounts at every $100 million or $1B. A benefit of this approach would include being more transparent and predictable for community banks which would then allow them to plan ahead when approaching thresholds that trigger new regulatory requirements.

In conclusion, New Market Bank appreciates the opportunity to submit comments on the proposal. I thank the FDIC for your efforts to modernize these outdated thresholds and reduce regulatory burden on community banks.

Sincerely,

/ s /

New Market BANK EST. 1905

Banking as Easy and Sincere as a Handshake

Anita Drentlaw
CEO & President & CFO | CPA
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