

July 7, 2023

The Honorable Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Federal Deposit Insurance Corporation Special Assessment Pursuant to Systemic Risk Determination

Dear Chairman Gruenberg:

We write regarding the Federal Deposit Insurance Corporation's (FDIC's) notice of proposed rulemaking to implement a special assessment to recover the cost associated with protecting uninsured depositors. The assessment follows the closures and subsequent receiverships of Silicon Valley Bank and Signature Bank. We commend your efforts thus far to ensure that minority depository institutions, rural banks, and community banks, which were not responsible for triggering the systemic risk authority, are exempt from this special assessment.

On March 12, 2023, the Secretary of the Treasury, on the recommendations of the Board of Governors of the Federal Reserve System and the FDIC board of directors, approved systemic risk exceptions to the FDIC's least-cost-resolution mandate. The decision allowed the FDIC to guarantee uninsured depositors at Silicon Valley Bank and Signature Bank. The FDIC estimates that the total costs of the failures attributable to the protection of uninsured depositors is approximately \$15.8 billion. Under the Federal Deposit Insurance Act, the FDIC is required to recover these costs through a special assessment.

The FDIC proposed a special assessment based on an insured bank's estimated uninsured deposits, as reported on December 31, 2022. The assessment is adjusted to exclude the first \$5 billion in estimated uninsured deposits. The FDIC also proposed to implement the special assessment on this base beginning in 2024 at a quarterly rate of 3.13 basis points over eight quarterly assessment periods. The FDIC asserts that this special assessment will effectively exclude all community banks, as well as many regional banks, and only 113 banks will be subject to the special assessment.

With more than 4,000 banks, the United States has more banks than any other country in the world and more small banks than in the entire European Union combined.¹ Smaller banks provide critical services to the American economy. They play a significant role in providing loans to consumers and small businesses, construction and land development projects, residential investments, agriculture, and for land financing. Indeed, during the pandemic, community banks

¹ See National Public Radio, *The U.S. has more banks than anywhere on Earth. That shapes the economy in many ways* (May 9, 2023), available at <https://www.npr.org/2023/05/04/1173488958/silicon-valley-bank-signature-first-republic-bank-failures>.

made approximately 4.7 million Paycheck Protection Program loans, totaling \$429 billion. This accounted for about 60 percent of the program's total loan amount.²

It is critical that in implementing the special assessment, the FDIC ensure that it maintains the diversity of the American banking system, including minority depository institutions, rural banks, and community banks. It is important to preserve the breadth of our banking system and avoid ending up with a barbell banking system, with a small number of Too Big to Fail institutions on one end, a scattering of small institutions on the other, and little in between.

Again, we commend the steps the FDIC has taken thus far to shield minority depository institutions, rural banks, and community banks from the special assessment, and we urge the FDIC to ensure that its special assessment helps to preserve and strengthen the diversity of the American banking system.

If you have any questions, please do not hesitate to contact Megan Gultinan (Megan.Gultinan@mail.house.gov) in Rep. Barr's office or Raphael Cohen-Fuentes (rapheal.cohen-fuentes@mail.house.gov) in Rep. Green's office.

Sincerely,



Andy Barr

Member of Congress



Al Green

Member of Congress

² See Gov. Michelle W. Bowman, *The Lack of New Bank Formations is a Significant Issue for the Banking Industry*, speech (Oct. 22, 2021), available at <https://www.federalreserve.gov/newsevents/speech/bowman20211022a.htm>.