RED RIVER BANK

July 18, 2023

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: *Comment to Notice of Proposed Rulemaking – Special Assessments Pursuant to Systemic Risk Determination*

Mr. Sheesley,

I am writing to the Federal Deposit Insurance Corporation ("FDIC") on behalf of Red River Bank in response to the FDIC's request for comment on proposed special assessments following the systemic risk determination announced on March 12, 2023 after the failures of Silicon Valley Bank ("SVB") and Signature Bank, New York ("SBNY"). The collapse of these large financial institutions raises concerns about how to change the regulatory framework for banks to ensure the long-term stability of the banking system. The FDIC's proposed rule imposes special assessments on a limited group of financial institutions to recover the loss to the Deposit Insurance Fund ("DIF") to protect uninsured depositors impacted by the closures of SVB and SBNY, as required by the Federal Deposit Insurance Act ("FDI Act"). Red River Bank believes that the proposed rule is fair and is an important part of ensuring the stability of the banking sector. More specifically, we believe the FDIC's exemption of financial institutions with less than $5 billion in assets protects the customers of community banks like Red River Bank from the consequences of certain practices of the failed banks, when community banks do not engage in such practices.

The FDIC has used its discretion under the FDI Act to craft a tailored program to recover losses to the DIF, and we commend the FDIC for its fairness and diligence in putting forth the proposed special assessments. Under the FDI Act, the FDIC has the authority to consider "the types of entities that benefit from any action taken or assistance provided." In evaluating the beneficiaries of its guarantee of depositor losses, the FDIC has estimated that approximately $15.8 billion of the total cost of the failures of SVB and SBNY was attributable to the protection of uninsured depositors. The FDIC concluded that, in general, large banks with large amounts of uninsured deposits benefitted the most from its systemic risk determination. The proposed assessment rate is 12.5 basis points based on a bank's estimated uninsured deposits as of December 31, 2022. Under the proposed assessments, banks with total assets exceeding $50 billion will pay more than 95 percent of the assessments. Further, banks with total assets of under $5 billion will not be subject to the assessment. The FDIC proposes to collect the assessment over eight quarterly

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periods, beginning with an assessment in the first quarter of 2024 that is payable on June 28, 2024. The rule authorizes the FDIC to cease collections before the conclusion of eight quarters, if sufficient funds have been recovered to compensate for actual or estimated losses. Likewise, the FDIC is authorized to extend the special assessment collection period by one or more quarters if actual or estimated losses exceed amounts collected.

Red River Bank believes the FDIC's proposal is fair, and we appreciate the FDIC's efforts to fashion an approach that recovers needed funds but avoids penalizing community banks like Red River Bank. The FDIC's targeted approach means that the assessment will not be borne by banks, like Red River Bank, that pose no systemic risk to our country's banking system and have maintained a disciplined approach to ensuring that capital and liquidity remain strong. In addition, systemically important institutions have an advantage over community banks, as it is assumed by depositors that these institutions are "too big to fail." These institutions therefore can gather deposits at lower cost than community banks. The failures of SVB and SBNY benefitted large banks, as depositors of SVB and SBNY migrated to other large institutions – not to community banks with under $5 billion in assets.

A critical factor that distinguishes Red River Bank from SVB and SBNY is its robust levels of capital and liquidity. Red River Bank has been disciplined since its establishment in 1999 with regard to maintenance of appropriate liquidity and capital measures. We view capital and liquidity as the cornerstones of safe and sound banking. As of March 31, 2023, Red River Bank's Tier 1 risk-based capital was 16.35%, nearly twice the minimum level of 8.50%. During the first quarter of 2023, Red River Bancshares, Inc. ("RRBI"), Red River Bank's holding company, maintained an average of [redacted]. At the same time, RRBI maintained various borrowing alternatives, but had no borrowings.

Red River Bank is a $3 billion community bank established in 1999 with 27 banking centers located through Louisiana. We have a consistent, long-term track record of steady growth which has largely been organic, with selective strategic expansion into new markets. Red River Bank, and other community banks like it, serve a vital role in countless local economies. Our customers rely on us to provide critical banking services for their households and businesses. A recent example of our commitment to providing value to our customers is our swift action in response to the Small Business Administration's Paycheck Protection Program ("PPP"). We were one of the first Louisiana banks to receive applications and fund loans, and 95% of our applicants received their PPP funds during the first round of the program. These funds were critical to the ability of our customers to continue to operate their businesses. We remain focused on relationship banking opportunities within the markets we serve and committed to the values of operating efficiently, underwriting conservatively, and providing excellent customer service.

Thank you for the opportunity to comment on this special assessments proposal. We appreciate the FDIC's deep analysis of the failures of SVB and SBNY and its swift response to calm the financial markets by announcing protection for uninsured depositors. Red River Bank encourages the FDIC to finalize the proposed rule as it is currently written.

If you have any questions or if I can provide additional information, please do not hesitate to contact me.

Yours very truly,

[redacted]

R. Blake Chatelain
President and CEO