MainStreetBank | 10089 Fairfax Blvd., Fairfax, VA 22030
703-481-4567 • mstreetbank.com

July 18, 2023

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

Subject: May 22, 2023 Special Assessments Pursuant to Systemic Risk Determination-Notice of Proposed Rule Making: Comment Request

Dear FDIC Board of Directors,

I am writing to you in my capacity as Chief Operating Officer of MainStreet Bank, a $2 billion-asset bank headquartered in Fairfax, Virginia, to express my strong support for your proposal to exempt community banks from the proposed special assessments.

As a community banker, I am grateful that the FDIC is exercising its discretion to exclude the first $5 billion in uninsured deposits from the assessment base. We agree with the FDIC's observation as noted in the Notice of Proposed Rulemaking [Federal Register, Volume 88, Pages 32684-32709]: "Generally speaking, larger banks benefited the most from the stability provided to the banking industry under the systemic risk determination" related to two bank failures. These failures, as you have noted, drained $15.8 billion from the Deposit Insurance Fund, which now must be replenished.

Every bank in the country was jolted by the bank runs that hit Silicon Valley Bank and Signature Bank of New York once their underlying issues became news. Fortunately, we were able to reassure our depositors and also help them structure accounts to make sure they had the maximum available amounts of FDIC insurance.

MainStreet Bank, like most community banks, was able to work through this situation because we enjoy stable deposit relationships and a relatively low concentration of uninsured deposits. Our uninsured deposits currently total 28% as a share of domestic deposits, versus the 33.2% average for banks in the $1 billion to $5 billion range as noted in the proposal. Our business model bears no resemblance to the high-flying strategies that brought Silicon Valley Bank and Signature Bank of New York to a crisis point and ultimately to collapse.

Small banks should not be penalized for the grave mistakes a few large banks made by taking excessive risks and mismanaging their balance sheets. Other large banks that benefited from the systemic risk determination can and should carry the cost. A special assessment to smaller community banks, on top of what we already pay, would be cost prohibitive. It would force us to make sacrifices that would hinder our ability to compete and thrive.

For example, at MainStreet Bank, we have calculated that if we were subjected to the special assessment, we would have to pay $630,000 per year for two years—$1.26 million in total. Our choices would be to pass costs along to customers in the form of higher fees, or slow down or even cancel technology investments that we need to make to compete. Cuts of that magnitude, spread across the entire community banking sector, could ripple out into the communities we serve in many forms—reduced credit availability, fewer charitable donations, and ultimately less banking choice.

Please forge ahead with your plans to exempt community banks like ours from the special assessment. It's a fair approach that puts the costs where they belong and spares community banks from the burden of a problem we did not create so that we can continue to serve the banking and credit needs of our communities.

Thank you for this opportunity to comment on this important proposal.

Sincerely,

[redacted]

Lisa Kilgour
Chief Operating Officer