

July 20, 2023

Via Electronic Delivery

Mr. James P. Sheesley
Assistant Executive Secretary
Attn: Comments - RIN 3064-AF93
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Notice of Proposed Rulemaking on Special Assessments Pursuant to Systemic Risk Determination / May 22, 2023

Dear Mr. Sheesley,

The members of the Community Development Bankers Association respectfully submit the following comments in response to the FDIC's May 11, 2023 proposed rule on Special Assessments Pursuant to Systemic Risk Determination. We understand that the FDIC is required by statute to recover the loss to the Deposit Insurance Fund (DIF) arising from the protection of uninsured depositors in connection with the systemic risk determination announced on March 12, 2023. We also understand that the FDIC is exercising its statutory discretion under Section 13(c)(4)(G) of the FDI Act to design and frame the assessment in way that reflected consideration of factors appropriate to the circumstances.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. The majority of our members are US Treasury-designated Community Development Financial Institutions (CDFIs), which means that they have a primary mission of promoting community development and target at least 60% of their total lending and activities to Low- and Moderate-Income (LMI) communities and customers that are underserved by traditional financial service providers. Many of our members are also Minority Depository Institutions (MDIs). Our members work in impoverished urban, rural, minority, and Native American communities, to narrow the wealth gap and create real economic opportunity. Collectively we refer to these banks as "mission-focused banks." As of the date of this letter, there are 198 banks with the Treasury's CDFI designation, and 147 MDIs. These mission-focused banks are overwhelmingly small, community banks: no CDFI bank exceeds \$10 billion in assets, and only a fraction of MDI banks have assets that cross that threshold.

It is important that the special assessment avoid unnecessary harm to America's vulnerable communities. Requiring small, mission-focused banks to contribute to the special assessment would misdirect funds that would otherwise finance affordable housing, small business loans, and other essential activities in capital-starved areas. Therefore, we generally support the FDIC's proposal to exclude the first \$5 billion of estimated uninsured deposits from the calculation of the assessment deposit base, a provision which will further exclude banks with total assets under \$5 billion altogether, based on data reported as of December 31, 2022.

This proposal will largely ensure that the costs of the assessment are born by the larger institutions that benefitted most from the strategic protection of uninsured depositors, and that will continue to rely on any perceived protection extended to excessive uninsured deposits.

However, we recommend that the FDIC update its proposal with one important clarification. Namely, in the final rule, we recommend that the FDIC explicitly exempt collateralized public funds (state, county or municipal deposits) in excess of the deposit insurance limit held at community banks from the assessment deposit base. These funds are often important to the operations of mission-focused banks, as they are headquartered and operate in small, rural, and otherwise under-resourced communities. As these accounts are secured by pledged securities, we do not believe they pose a risk to the DIF in the event of failure.

The members of CDBA sincerely appreciate the FDIC's use of its discretion to mitigate the potential adverse impact of this special assessment on mission-focused banks and their communities.

Please feel free to contact Brian Blake, Chief Public Policy Officer, at (646) 283-7929 or blakeb@pcgloanfund.org, if you have any questions about the positions stated in this letter.

Sincerely,

A handwritten signature in black ink that reads "Brian A. Blake". The signature is written in a cursive style with a horizontal line underneath the name.

Brian Blake
Chief Public Policy Officer