



One Mission. Community Banks.

December 5, 2024

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments—RIN 3064-ZA42
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Request for Information on Deposits [RIN 3064-ZA42]

Dear Mr. Sheesley:

The Community Bankers of Michigan on behalf of all banks in the state of Michigan wishes to opine on the above-captioned Request for Information on Deposits. We fail to see the need to impose any additional recordkeeping and information gathering burdens upon banks with less than \$10 billion in total consolidated assets. Banks below this size do not pose a systematic risk to the FDIC insurance fund, and they are already suffering from excessive regulatory scrutiny and reporting burdens.

Overall, banks did an excellent job navigating through the events of March 2023 which put considerable pressure on their balance sheets and liquidity. While the banking industry has performed admirably and shown incredible resilience – especially Michigan banks - there were a few national casualties such as Silvergate Bank, Silicon Valley Bank, and First Republic Bank. Those failed banks had high risk business models, poor risk management practices, ineffective management and were not properly supervised by their primary regulators who failed to exercise appropriate oversight on those risky institutions. Those institutions have been removed from the banking system and there is no reason to negatively impact the nation's smallest community banks who diligently and properly managed risk through a very volatile financial period in our nation's history.

Indeed, the few failed banks were outliers, and we should not be imposing any new reporting burdens on small banks as a result. The failed banks' excessive growth, their overreliance on uninsured deposits, and their poor risk management practices should have set off alarms with

regulators long before they became a crisis. Those banks do not in any way resemble the vast majority of our nation's community banks.

In the Midwest, we have outstanding and productive relationships with our bank regulators. Here in Michigan, for example, we meet bimonthly with the FDIC regional office to discuss critical issues in the banking industry and discuss key risk areas our banks should be focused on. These candid and focused discussions help both our banks and our regulators properly manage risk across the system, and we would suggest similar processes be put in place across the country to get regulators and industry leaders focused on jointly managing critical risks.

The area that should be the focus of more intense scrutiny is the large uninsured deposits that were withdrawn from the handful of failed, large banks at lightning speed using modern funds transfer technology. We agree that this should rightfully be a regulatory area of emphasis and concern, but only at banks over \$10 billion in consolidated total assets.

Levels of uninsured deposits are very low at community banks across the country, but they are often much higher at some of the super-regional banks. Both the banks and regulators have addressed the issue and moved these levels lower. No additional recordkeeping or reporting burdens are necessary at this point for banks under the \$10 billion asset threshold, as the safety and soundness examinations of all banks now include a more risk-based focus on uninsured deposits and overall deposit characteristics.

As with many other Call Report features and reporting items, banks under \$10 billion should not be subjected to any additional data gathering or reporting as is suggested by this Request for Information, and as posed in Question 5-(c) of the Federal Register Notice.

We appreciate having the opportunity to submit these comments for your consideration.

Respectfully submitted,



James R. North
President & CEO
Community Bankers of Michigan