United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

April 23, 2019

President Donald J. Trump
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20003

Dear President Trump,

I am writing to request that you move decisively to nominate a full slate of members to the board of the Federal Deposit Insurance Corporation (FDIC). The decisions currently being made by financial regulators will have far-reaching consequences for hardworking families, community banks, and the stable growth of the economy. These important decisions deserve the attention of a full panel of qualified directors.

In just the last several months, the FDIC has taken on the consideration of the Branch Banking and Trust (BB&T) and SunTrust merger, the largest since the financial crisis; the modification or repeal of several rules designed to protect the economy from reckless activities; and the alteration of laws that ensure banks invest in small businesses and the real economy. Taken together, these decisions could fundamentally alter the shape of banking in the United States and determine whether economic growth continues or another financial crash again wipes out trillions in working class wealth.

The merger of BB&T and SunTrust banks would create the sixth largest bank in the country by deposits, and would be the largest bank to which the FDIC has ever served as primary regulator. In an environment where there is bipartisan concern over banking industry consolidation and its effects on community banks, the costs and benefits of this merger call for careful scrutiny, and the full attention of a complete FDIC board.

As you know, the current FDIC board consists of two directors who, as heads of other independent financial agencies, may have their perspectives colored by the priorities and mission of the Office of the Comptroller of the Currency or the Consumer Financial Protection Bureau. Furthermore, two members of the FDIC board most recently worked for regional banks that may compete with BB&T and SunTrust, or hope to execute similar mergers in the future. While those conflicts may not be entirely disqualifying, it is important to balance their views with those of a Vice Chair and internal director, as contemplated by the Federal Deposit Insurance Act. Furthermore, in an environment where the FDIC and other regulators are drastically reducing the regulatory expectations at the largest banks, the combination of weaker regulation and increased size of a combined bank could affect the stability of our financial system and pose threats to the deposit insurance fund.

The proposed merger, along with reduced regulation and weaker requirements for community lending, may hit some local economies especially hard. The two banks have a largely overlapping geographic footprint, and the likely reduction of branches in rural areas, in addition to decreased competition where communities may only have one banking option, might cause irreparable harm to small businesses, low-income customers, seniors, and customers with variable or seasonal income like farmers. In short, a full board with a broad range of perspectives is critical to understanding the complex interactions of the important matters currently under FDIC consideration.

Perhaps more concerning is what parts of the financial system may go unmonitored while fewer board members are doing more work. For example, I recently wrote to the Financial Stability Oversight Council (FSOC), of which the FDIC is a member, about the threat leveraged lending poses to the economy's stability. A full FDIC board would more effectively monitor the economy for systemic vulnerabilities like leveraged lending. This is critical as we navigate a long period of high topline economic growth figures that contrast with increased consumer debt and mounting late payments on credit cards, missed student loan payments, and increasing defaults in subprime auto lending. While sustained economic growth is a laudable goal, it would be foolish to think the risks to the financial system and the economy do not need to be carefully scrutinized through the current credit cycle.

For these reasons, I urge you to move quickly to name nominees to permanent positions on the FDIC board and ensure that these regulatory and merger decisions are made by a fully staffed regulator. I appreciate your prompt attention to this matter.

Sincerely,

Sherrod Brown

Sherrod Brown
Ranking Member
U.S. Senate Committee on Banking, Housing and Urban Affairs