FDIC Needs a State Regulator on its Board

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The Federal Deposit Insurance Corp. is the federal regulator for most of the nation’s state-chartered banks. But even though it is required by law, there is no one with state bank supervisory experience on the FDIC’s board of directors.

That must change — and now is the time. The administration has an opportunity to fill a current vacancy on the board and it should use this opportunity to nominate someone with state bank supervisory experience.

State-chartered banks make up 79% of the nation’s banks. They are regulated by state bank supervisors, and most also are examined at the federal level by the FDIC. That makes the FDIC arguably one of their most important federal standard-setters. As a state bank supervisor, I know first-hand the importance of these institutions in our communities. It is just as important to have someone who has been a state bank supervisor on the FDIC board, as is required by law.

There are approximately 4,400 state-chartered banks, which are mostly community banks, in the United States. Many have a small but vital footprint in their communities. State-chartered banks provide 75% of all agriculture lending and nearly half of all small-
business lending in the nation. That means they are helping farmers finance their new equipment and a local restaurant or hardware store maintain its business or grow.

In small-town America, these issues are critically important. And I think it is equally important for the FDIC board to have someone who understands the state banking system. State bank supervisors have a unique perspective on banking services in local communities. They are mandated to ensure the safety and soundness of these banks, protect consumers and support economic development of their communities.

Congress recognizes this need. In 1996, it amended the Federal Deposit Insurance Act to require that, separate from the comptroller’s and the director of the Consumer Financial Protection Bureau’s seats on the FDIC board, one of the three independent positions must be held by someone with state bank supervisory experience. The law is clear that this requirement is only met by a person who has worked in state government as a supervisor of state-chartered banks, and as Congress noted, someone with “state bank regulatory expertise and sensitivity to the issues confronting the dual banking system.”

Yet no one has met this requirement on the FDIC board since former Massachusetts State Bank Commissioner Thomas Curry finished his term in 2012 to lead the Office of the Comptroller of the Currency. Although Curry still served on the FDIC board in his role at the OCC, he no longer met the requirement as it’s described under the law.

I want to be clear that we need a number of voices on the FDIC board. It is important to have those who have worked in and are knowledgeable about Washington policy. But to have a board solely made up of policymakers not only sidesteps the law, it ignores the importance of why it was created. Congress saw that the FDIC board needs practitioners, as well as policymakers.

The FDIC board needs someone who knows about local banks and the communities they serve. It needs a state bank supervisor.