

# United States Senate

WASHINGTON, DC 20510

February 10, 2025

The Honorable Jennifer L. Fain  
Inspector General  
Federal Deposit Insurance Corporation  
3501 Fairfax Drive  
Arlington, Virginia 22226

Dear Inspector General Fain:

We write to request that the Federal Deposit Insurance Corporation Office of Inspector General (“FDIC OIG”) conduct an evaluation to determine whether the Acting Chairman’s reported decision to rescind more than 200 job offers to bank examiners<sup>1</sup> threatens the stability of the banking system by undermining the agency’s efforts to address the severe understaffing that has plagued its bank examiner workforce. The FDIC OIG has previously concluded that staffing shortages in the agency’s New York Regional Office were one of two “primary causes for delays in supervisory activities” related to Signature Bank’s failure in March 2023 and staffing issues across the agency constitute a top management and performance challenge.<sup>2</sup> The lesson learned in this case was that a shortage of cops on the beat can threaten the safety and soundness of the banking system and pose risks to the Deposit Insurance Fund.

On March 12, 2023, the New York State Department of Financial Services closed Signature Bank and appointed the FDIC as receiver, causing an estimated \$2.4 billion loss for the Deposit Insurance Fund.<sup>3</sup> At the time of its failure, Signature Bank had \$110 billion in assets.<sup>4</sup> It is the fourth largest bank failure in U.S. history.<sup>5</sup> The potential systemic impact of its failure caused the Treasury Secretary, in consultation with the President and at the unanimous recommendation of the Federal Reserve Board and FDIC Board of Directors, to invoke the Systemic Risk Exception and backstop uninsured depositors at the bank.<sup>6</sup> The bank had grown rapidly in the years prior to its failure and had a severely deficient risk management framework for its size and complexity.<sup>7</sup>

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<sup>1</sup> The Washington Post, “Banking regulator rescinds more than 200 job offers for examiners it needs,” Andrew Ackerman, January 27, 2025, <https://www.washingtonpost.com/business/2025/01/27/fdic-bank-examiners-job-offers-rescinded/>.

<sup>2</sup> FDIC Office of Inspector General, “Material Loss Review of Signature Bank of New York,” October 2023, pp. 31, <https://www.fdicoinc.gov/sites/default/files/reports/2023-12/EVAL-24-02.pdf>; FDIC Office of Inspector General, “Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation,” February 2024, pp. 1-8, <https://www.fdicoinc.gov/sites/default/files/reports/2024-05/TMPC-Final-Feb24%20508%20Compliant.pdf>.

<sup>3</sup> FDIC Office of Inspector General, “Material Loss Review of Signature Bank of New York,” October 2023, pp. 1, <https://www.fdicoinc.gov/sites/default/files/reports/2023-12/EVAL-24-02.pdf>.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> FDIC, “Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC,” press release, March 12, 2023, <https://www.fdic.gov/news/press-releases/2023/pr23017.html>.

<sup>7</sup> FDIC Office of Inspector General, “Material Loss Review of Signature Bank of New York,” October 2023, pp. 9-14, <https://www.fdicoinc.gov/sites/default/files/reports/2023-12/EVAL-24-02.pdf>.

Among all banks with more than \$100 billion in assets, it had the highest reliance on risky uninsured deposits (90 percent) and those uninsured deposits were highly concentrated, as 60 clients alone constituted 40 percent of the bank’s funding.<sup>8</sup>

The FDIC was the primary federal regulator of Signature Bank and post-mortem reviews found a series of supervisory failures. One root cause of these supervisory failures was a persistent understaffing issue in the New York Regional Office. A review conducted by the FDIC’s Chief Risk Officer found that “the vacancies and adequacy of the skillsets of the Dedicated Team slowed earlier identification and reporting of [Signature Bank’s] weaknesses.”<sup>9</sup> According to the agency, between 2020 and 2023, an average of 40 percent of the large bank examiner positions had been vacant or filled by temporary staff.<sup>10</sup> This led to a series of supervisory delays, canceled or postponed exams, and quality control issues in the supervision of Signature Bank. For example, the FDIC’s Chief Risk Officer found that there were 14 canceled or postponed targeted reviews during the 2017-2021 exam cycles and half of the target review supervisory letters were not transmitted to Signature on a timely basis.<sup>11</sup>

The Material Loss Review issued by the FDIC OIG recommended that the agency reevaluate its “strategy to attract, retain, and allocate staffing, including how to enhance the supervision of large, complex financial institutions.”<sup>12</sup> FDIC OIG then identified staffing weaknesses as the agency’s top management and performance challenge in 2024.<sup>13</sup> It is even more critical that the agency swiftly improve its staffing situation given its “employee retirement-eligibility rates, which are higher than Government-wide averages.”<sup>14</sup> Again the FDIC OIG reiterated its recommendation that “the FDIC reevaluate its strategy to attract, retain, and allocate staff.”<sup>15</sup>

In December 2023, the FDIC Board of Directors responded to these concerns by unanimously approving a new budget that included a material increase in examiner positions in response to “audit findings and the lessons learned from the three large bank failures in early 2023.”<sup>16</sup> The agency prioritized filling these authorized examiner positions and, entering 2025, had extended hundreds of job offers to examiners that had not yet been onboarded. But on January 20, 2025, President Trump signed an Executive Order instituting a hiring freeze on all federal civilian employees and the Washington Post reported that the FDIC’s Acting Chairman rescinded more than 200 job offers to bank examiners.<sup>17</sup> It is unclear whether the FDIC believes it is legally subjected to the Executive Order or if the Acting Chairman is voluntarily complying.

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<sup>8</sup> *Id.*

<sup>9</sup> FDIC, “FDIC’s Supervision of Signature Bank,” April 28, 2023, pp. 37, <https://www.fdic.gov/sites/default/files/2024-03/pr23033a.pdf>.

<sup>10</sup> *Id.*, pp. 4.

<sup>11</sup> *Id.*, pp 30.

<sup>12</sup> FDIC Office of Inspector General, “Material Loss Review of Signature Bank of New York,” October 2023, pp. 32, <https://www.fdicog.gov/sites/default/files/reports/2023-12/EVAL-24-02.pdf>.

<sup>13</sup> FDIC Office of Inspector General, “Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation,” February 2024, pp. 1-8, <https://www.fdicog.gov/sites/default/files/reports/2024-05/TMPC-Final-Feb24%20508%20Compliant.pdf>.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> FDIC, “Proposed 2024 FDIC Operating Budget,” December 18, 2023, pp. 7, <https://www.fdic.gov/news/board-matters/2023/board-meeting-122023-open.html>.

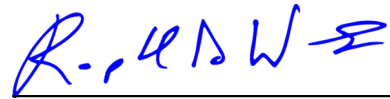
Given the implications this decision may have on the safety and soundness of the U.S. banking system and the risk it may pose to the Deposit Insurance Fund, an evaluation by your office would be consistent with your mission to “promote economy, efficiency and effectiveness at the Agency.”<sup>18</sup> We ask that you conduct an evaluation of this decision and determine whether it undermines progress on the FDIC OIG’s previous recommendations to the agency.

Sincerely,



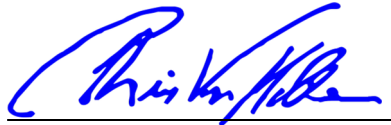
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Elizabeth Warren  
Ranking Member  
Committee on Banking,  
Housing, and Urban Affairs



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Raphael Warnock  
United States Senator



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Chris Van Hollen  
United States Senator



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Lisa Blunt Rochester  
United States Senator

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<sup>17</sup> The Washington Post, “Banking regulator rescinds more than 200 job offers for examiners it needs,” Andrew Ackerman, January 27, 2025, <https://www.washingtonpost.com/business/2025/01/27/fdic-bank-examiners-job-offers-rescinded/>.

<sup>18</sup> FDIC Office of Inspector General, “About Us,” <https://www.fdicogig.gov/about-us>.