COMMERCE STREET HOLDINGS

FOUNTAIN PLACE
COMMERCE STREET HOLDINGS, LLC
1445 ROSS AVENUE, SUITE 2700
DALLAS, TEXAS 75202
214.545.6800
WWW.COMMERCESTREETHOLDINGS.COM

Written Testimony of Dory A. Wiley, President and CEO of Commerce Street Holdings, LLC
Submitted to the Subcommittee on Financial Institutions and Monetary Policy House Committee on Financial Services
Hearing: "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience"
September 9, 2025, 2:00 p.m. EDT, Room 2128, Rayburn House Office Building

The Honorable Andy Barr, Chairman
The Honorable Bill Foster, Ranking Member
Subcommittee on Financial Institutions and Monetary Policy House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Barr, Ranking Member Foster, and Distinguished Members of the Subcommittee:

Thank you for the opportunity to submit written testimony for the hearing titled "Promoting the Health of the Banking Sector: Reforming Resolution and Broadening Funding Access for Long-Term Resilience" on September 9, 2025. My name is Dory A. Wiley, and I am the President and CEO of Commerce Street Holdings, LLC, a Dallas-based investment banking firm that has been a leader in advising banks in Texas and the Southwest since 1997. Since 1988, I have dedicated my career to the banking industry: starting banks, advising mergers and acquisitions (M&A), raising capital, reducing risk, fixing problem banks, helping Community Reinvestment Act compliance, and investing in financial institutions. My experience spans multiple crises: the 1980s Savings and Loan (S&L) Crisis, where over 1,000 institutions failed due to high interest rates and risky lending; the late 1980s/early 1990s and which included the Texas Banking Crash, with over 200 Texas bank failures driven by real estate and oil price declines; the 2008–2009 Great Recession, with over 500 bank failures including Washington Mutual (the largest bank failure in history); and the 2023 failures of Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank as well as the voluntary liquidation of Silvergate Bank. Commerce Street Holdings and its predecessors have raised more startup capital for banks than any other firm nationwide, with our principals and affiliates investing over $1.4 billion in community banks. We are a nationally ranked M&A advisor and as the largest sponsor of Small Business Investment Companies in the country, we are committed to fostering economic growth and stability in communities across America. The United States is the only country in the world with a robust community banking system, and its contribution to job growth and small businesses is often greatly underestimated.

This testimony is based on my nearly four decades of experience navigating these crises, regulatory changes, and economic cycles. My recommendations reflect many of the priorities of bankers and trade associations, which advocate for a vibrant, community-focused banking sector that supports tailored regulation, reduced regulatory burdens, and economic growth while ensuring financial stability. The Dodd-Frank Act of 2010 has made banking, particularly community banking, costly to operate with more than $60 billion annually in compliance costs (Mercatus Center, 2018) reducing attractive returns to investors, pushing opportunities away from banking, and increasing systemic risk through less-regulated channels. Congress needs to roll back excessive regulatory burdens to restore and maintain the American banking system's global leadership, making it investable again and attracting capital, allowing the best and brightest to build careers in the industry.

This testimony addresses seven key areas: (1) reforming the bank resolution process, drawing from historical crises; (2) the critical role of tangible capital; (3) improving access to diverse funding sources, recognizing the role of brokered deposits; (4) right-sizing the capital framework for small and mid-sized banks; (5) raising tiered banking thresholds from $100 billion to $250 billion; (6) streamlining bank M&A approvals, including credit union deposits in competitive analyses and decentralizing regulatory authority; and (7) revitalizing de novo banking to foster competition. I will also address concerns about regulatory consolidation and staff reductions. Banks are not utilities; while deposit insurance carries responsibilities, banks must be allowed to prosper or fail, with easier chartering to encourage competition that benefits consumers and the economy.

I. Reforming the Bank Resolution Process

The bank resolution process has significantly improved since the 1980s S&L Crisis, when over 1,000 institutions failed, costing taxpayers $160 billion (FDIC), which includes the Texas Banking Crash, where over 200 banks collapsed due to real estate and oil price declines. The 2008–2009 Great Recession, with over 500 bank failures, and the 2023 failures exposed ongoing vulnerabilities, particularly low tangible capital at bank holding companies and poor interest rate risk management. As an investment banker who advised and invested in banks through these crises, I believe the focus should be on strengthening consumer confidence through education, ensuring robust contingent funding plans, and applying consistent policies to prevent deposit runs, particularly at systemically important institutions.

The March 2023 Bank Failures: Causes and Leadership Failures

The 2023 banking crisis was a stark reminder of systemic risks, echoing past crises. Silvergate Bank ($11.4 billion in assets) liquidated voluntarily on March 8, followed by the failures of SVB ($209 billion) on March 10, Signature Bank ($110 billion) on March 12, and First Republic Bank ($213 billion) in April. These failures, among the largest since 2008, shook confidence and revealed weaknesses like those in the S&L Crisis (interest rate mismatches), Texas Banking Crash (concentrated exposures), and Great Recession (inadequate capital).

Causes:

1. *Interest Rate Risk and Speculative Bets*: The Federal Reserve's 525-basis-point rate hikes from March 2022 to September 2023 devalued long-term assets, with SVB's $91 billion securities portfolio losing over 10% of its value, eroding capital. Similar losses hit Signature and First Republic. These banks failed in part because they made speculative assumptions on interest rates, holding large portfolios of low-yield, long-term securities without adequate hedging or interest rate risk policies, expecting rates to remain low, like the S&L failures in the 1980s due to unhedged rate hikes. Banks should be structured to profit regardless of interest rate movements, using proven asset-liability management tools. Such failures should never be allowed to happen; regulators, competent boards, management, and institutional investors must enforce rigorous interest rate risk management to prevent speculative exposures. The absence of these safeguards in 2023, as in prior crises, reflects a failure of oversight and governance as well as a lack of understanding of bank balance sheets - lessons long ago which were learned in previous crises. Most banks did a very good job of managing to a near-neutral exposure of interest rate risk, combining that with high capital ratios and good credit underwriting to navigate an extreme change in interest rate risk. The exceptions were glaring.

2. *Uninsured Core Deposits*: Contrary to assumptions about deposit stability, it was core deposit relationships with tech firms, startups, and high-net-worth individuals, many of which were uninsured (e.g., 93.8% at SVB exceeded the $250,000 Federal Deposit Insurance Corporation (FDIC) limit)—that drove the rapid deposit runs, not wholesale deposits like brokered funds. SVB's core customers withdrew $48 billion in 48 hours, amplified by digital banking platforms and social media panic, reminiscent of the 2008 runs on Washington Mutual.

3. *Weak Risk Management*: The banks failed to hedge interest rate risk or maintain

liquidity buffers, a recurring issue from the Texas Banking Crash's real estate overexposure. SVB's collapse was exacerbated by its inability to access the Federal Reserve's Discount Window promptly due to an untested contingent funding plan. Testing these plans is critical, as seen in the 2008–2009 failures.

4. *Regulatory Oversight Gaps*: Regulators identified risks but failed to act decisively, as during the S&L Crisis, when lax oversight allowed risky lending. The Federal Reserve rated SVB "satisfactory" until June 2022, despite concerns raised in 2021, and failed to enforce robust interest rate risk mitigation.

5.Contagion: Digital platforms and social media accelerated runs, with SVB losing $48 billion in two days due to withdrawals of core deposits, like the panic-driven runs of the Great Depression, which created our regulatory system, and the Great Recession

6.Leadership Failures: Treasury Secretary Janet Yellen's response in 2023 echoed with missteps from past crises, such as unclear messaging during the S&L Crisis. Her statement that the FDIC would not offer "blanket insurance" for all deposits, despite the $19 billion bailout of SVB and Signature depositors, undermined confidence, particularly for community banks with 45% of the total uninsured deposits (banks under $10 billion). This fueled outflows, as in 2008 when depositors fled smaller banks. The FDIC's 1933 mission stabilized the system through assurance, not arbitrary limits. Yellen should have declared, "Your deposits are safe. We may fail the equity and the bank itself, but your deposits will transfer to a new bank." The Conference of State Bank Supervisors (CSBS) has highlighted the perception that uninsured deposits at TBTF banks are favored, driving depositors from community banks, as seen in the Texas Banking Crash. In 2010, CSBS supported the Transaction Account Guarantee (TAG) program for unlimited deposit insurance on non-interest- bearing accounts to prevent deposit flight. In February 2025, Arkansas Commissioner Susannah Marshall testified that small rural businesses should not fear community bank deposit safety. Inconsistent protection of large depositors in smaller bank failures, as in 2008–2009, increases systemic risk. The CSBS 2025 Annual Survey, due October 2025, will recommend deposit insurance reforms. Consumer education is critical, as public misunderstanding fueled runs in 2023, 2008, and the 1980s.

Preventive Measures:
- *Consumer Confidence and Education*: Strengthen public understanding of deposit insurance, as the Texas Bankers Association (TBA) and CSBS advocate, learning from the S&L Crisis and Great Recession. The TBA's 90-day blanket insurance or TAG-like program could prevent runs.
- *Test Contingent Funding Plans*: Mandate testing to ensure liquidity access, as failures in 2023 and 2008 showed untested plans exacerbate crises.
- *Federal Reserve Lifelines*: The 2023 Bank Term Funding Program (BTFP) helped, but banks need pre-pledged collateral for the Discount Window, as CSBS recommends.
- *Leadership Confidence*: Clear messaging, unlike in past crises, is essential.

Deposit Insurance Fund and Resolution Framework

The Deposit Insurance Fund (DIF) protects depositors up to $250,000 and resolves failed banks under the "least cost" mandate. The 2023 systemic risk exception ($19 billion) echoed the 2008 bailouts, raising fairness concerns. The TBA's 90-day blanket insurance and CSBS's TAG support could stabilize community banks, as in 2010. The least cost mandate needs to be revised as it biases against smaller community banks and continues to create systemic risk.

National Deposit Caps and Waivers

FDIC deposit caps limit concentration but restrict acquisitions, as seen in the Texas Banking Crash. A transparent waiver system would attract bidders, including nonbank capital, as in 2008.

Recommendations

1. *Enhance Consumer Education*: Develop campaigns to clarify deposit insurance, reducing panic-driven runs.
2. *Adopt Temporary Deposit Insurance*: Implement TBA's 90-day blanket insurance or TAG-like program, as CSBS supports.
3. *Mandate Contingent Funding Plan Testing*: Ensure timely liquidity access, learning from 2008 and 2023.
4. *Enforce Interest Rate Risk Management*: Require near neutral exposure to changes in interest rates to ensure profitability in all rate environments.
5. *Clarify Systemic Risk Exception Criteri*a: Define objective triggers for fairness.
6. *Broaden Bidding*: Include nonbank capital and shelf charters.
7. *Strengthen Deposit Insurance Fund*: Use risk-based assessments.
8. *Enhance Safety and Soundness*: Mandate interest rate risk stress and contingent funding tests.
9. *Improve Discount Window Access*: Adopt CSBS's holistic policy process.
10. *Project Confidence*: Reinforce the FDIC's mission with clear messaging.

II. The Critical Role of Capital in Banking Resilience

Having advised banks through the S&L Crisis, Texas Banking Crash, Great Recession, and 2023 failures, I have seen that high tangible capital and rigorous safety and soundness are critical. The Dodd-Frank Act's $60 billion annual compliance costs (Mercatus Center, 2018) have made banking, especially community banking, less profitable, driving capital to other areas of the market.

This shift increases systemic risk as banks' indirect exposure amplifies vulnerabilities, unlike the regulated transparency of bank lending. Congress should roll back excessive regulations to restore investor appeal.

Balancing Regulation and Capital Access

Dodd-Frank's costs have deterred investors. Since 2008, start up/de novo approvals have plummeted due to high capital and compliance burdens, reducing competition. At Commerce Street, we've seen investor demand decline as return opportunities have decreased. A balanced approach supports capital raises, making banking investable again.

Recommendations

1. *Mandate Interest Rate Risk Hedgin*g: Ensure profitability in all rate environments.
2. *Ease De Novo Restrictions*: Reduce capital and compliance burdens to make investing attractive.
3. *Balance Oversight and Access*: Streamline regulations to restore investor appeal.
4. *Stress Test Capital and Interest Rate Risk*: Prevent speculative exposures.

III. Improving Access to Diverse Funding Sources

Access to diverse funding is critical, but regulatory barriers limit options. Brokered deposits are not inherently risky; SVB's core customers withdrew $48 billion in 48 hours, showing that wholesale deposits can be more stable. Regulators must assess each bank's funding strategy based on management's execution capabilities.

Regulatory Framework

Brokered deposits are vital for community banks, as CSBS notes. The FDIC's 2020 exemptions for exclusive relationships and flexible rate-caps support stability, but the 2024 proposed rule risks limiting their use. CSBS recommends 12–24 months to unwind brokered deposits under Prompt Corrective Action (PCA). Reciprocal and custodial deposits face complexity and scrutiny, while Federal Reserve facilities like the BTFP require testing.

Technology's Impact
Digital platforms accelerated 2023 runs, as in 2008, highlighting the need for updated rules. FinTechs offer new funding channels but require clear oversight.

Recommendations

1. *Modernize Brokered Deposit Rules*: Retain 2020 FDIC exemptions.
2. *Enhance PCA Flexibility*: Allow 12–24 months to unwind brokered deposits.
3. *Promote Reciprocal Deposits*: Simplify rules to ensure larger deposits.
4. *Clarify Custodial Deposits*: Provide guidance for fintech partnerships.
5. *Encourage Innovation*: Support FedNow while ensuring safety.
6. *Enhance Federal Reserve Access*: Mandate liquidity testing.
7. *Tailor Funding Oversight*: Authorize regulatory judgment.

IV. Right-Sizing the Capital Framework for Small and Mid-Sized Banks

The capital framework must reflect small and mid-sized banks' risk profiles. Dodd- Frank's rules, costing $60 billion annually, strained community banks. S.2155 provided relief, but further tailoring is needed.

Dodd-Frank and S.2155
S.2155 raised the threshold for enhanced standards to $250 billion, but Category III/IV banks face misaligned Basel III rules. The Community Bank Leverage Ratio (CBLR) for banks under $10 billion is underutilized due to its 9% ratio and examiner overreach.

Recommendations

1. *Enhance CBLR Flexibility*: Lower to 8% or allow tiered ratios.
2. *Reduce Examiner Overreach*: Standardize capital requirements.
3. *Simplify Reporting*: Overhaul call reports.
4. *Tailor Category III/IV Rules*: Exempt from Basel III.
5. *Incorporate 2023 Lessons*: Require stress tests.

V. Raising Tiered Banking Thresholds from $100 Billion to $250 Billion

Raising the threshold to $250 billion would exempt regional banks from enhanced standards, enabling competition with larger banks and private credit. The 2023 failures showed risks stem from poor risk management, not size alone. Safety and soundness principles should guide oversight.

Recommendations

1. *Apply Safety and Soundness Principles*: Enforce capital, liquidity, and hedging.
2. *Tailor Oversight to Risk Profiles*: Focus on risk factors.
3. *Support Regional Bank Competitiveness*: Allow flexibility with risk-based oversight.
4. *Leverage Existing Policies*: Strengthen stress testing.

VI. Streamlining Bank M&A Approvals and Decentralizing Regulatory Authority

Bank M&A is essential, but delays and centralization create a "barbell" system, reducing the number of potential acquirers. My experience in the Texas Banking Crash and Great Recession shows streamlined approvals foster resilience.

Centralization of Regulatory Authority

Regulatory authorities have shifted to Washington, D.C., delaying approvals. Regional regulators are better suited for straightforward deals. CSBS recommends including nonbanks and credit unions in competitive effects analysis, preserving HHI safe harbors, and revising Summary of Deposits data.

Including Credit Unions in HHI Calculations

CSBS recommends including credit union deposits ($2.3 trillion in 2024, NCUA) in HHI calculations to reflect their competition with banks. This is fair, as credit unions like Navy Federal ($165 billion) offer similar services, but in rural areas (20–30% deposit share, Federal Reserve), their inclusion could overstate concentration, blocking community bank mergers. Tailored HHI adjustments ensure fairness without penalizing local banks.

Staff Reductions and Institutional Knowledge

Staff cuts and inexperience erode effectiveness, as seen in the post-S&L Crisis, risking inconsistent decisions.

Concerns About Regulatory Consolidation

Consolidating regulators risks inefficiencies, harming the number of potential acquirers of community banks. Competition among agencies fosters innovation.

Current M&A Challenges

The DOJ's focus on deposit share ignores private credit and FinTech's. CSBS proposes exempting mergers under $10 billion from competitive effects analysis.

Recommendations

1. *Decentralize M&A Approvals*: Delegate to regional offices.
2. *Enhance Transparency*: Provide clear feedback.
3. *Modernize Merger Reviews*: Include credit unions and nonbanks.
4. *Incorporate Credit Union Deposits in HH*I: Use tailored adjustments.
5. *Exempt Small Mergers*: Amend the Bank Merger Act.
6. *Standardized Checklists*: Ensure consistency.
7. *Lower Capital Requirements*: Reduce for rural banks.
8. *Retain Staff*: Preserve expertise.
9. *Oppose Consolidation*: Maintain agency competition.
10. *Streamline Approvals*: Set clear timelines.

VII. Revitalizing De Novo Banking

The decline from 18,000 banks in 1980 to under 4,700 by 2025 reflects consolidation, failures, and a near-absence of de novo banks. My experience starting banks during the S&L Crisis, Texas Banking Crash, and post-2008 era shows that regulatory burdens stifle competition. Easier chartering fosters competition, benefiting consumers and helping economic activity.

Decline in Bank Numbers and De Novo Activity

From 1998–2007, 1,300 de novos were chartered; post-2008, only 14 (FDIC). Dodd- Frank's costs and high capital requirements deter investors, driving capital to other investment opportunities.

Impact of Strict De Novo Rules

High capital thresholds block new entrants, reducing competition and lending, as private credit dominates. CSBS notes excessive scrutiny stifles innovation.

Balancing Risk and Innovation

De novo rules are overly restrictive, as 2023 failures involved larger banks, not small de novos. Relaxed rules can restore the number of potential investors in community banks.

Recommendations

1. *Streamline De Novo Applications*: Simplify FDIC reviews.
2. *Lower Capital Requirements*: Reduce to $10–20 million for low-risk plans.
3. *Encourage Innovative Models*: Balance safety with innovation.
4. *Support Community Banking*: Prioritize underserved areas.

Recommendations

1. *Tax Parity*: Tax bank-like operations.
2. *Align M&A Oversight*: Apply bank-like scrutiny.
3. *Protect Community Banks*: Support tax-paying banks.

Conclusion

The 2023 failures, like those in the S&L Crisis, Texas Banking Crash, and Great Recession, highlight the need for robust capital, rigorous risk management, and confident leadership. Brokered deposits are not inherently risky; regulators should assess funding strategies individually. Banks are not utilities—prosperity and failure must be allowed, with easier chartering to foster competition and encourage investment into the sector. 80% of new jobs come from small businesses, and 75% of small businesses are banked by community banks. By reforming resolutions, strengthening capital, improving funding, tailoring rules, streamlining M&A with fair HHI calculations, revitalizing de novo banking, easing overly burdensome reporting and data collecting, we can make banking investable again, restoring its global leadership and appeal to top talent.