

November 17, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
4340 O'Neill House Building
Washington DC 20515

Hearing Entitled: The Future of Deposit Insurance: Exploring the Coverage, Costs, and Depositor Confidence

Dear Chairman Hill and Ranking Member Waters,

On behalf of the Competitive Enterprise Institute (CEI), I thank you for holding an informative hearing on the future of deposit insurance, and wish to offer my perspective that increasing deposit insurance – particularly increasing the limit to \$10 million for all non-interest-bearing accounts as some pending legislation would do – would undermine financial stability and put at risk the bipartisan deregulatory measures this committee is pursuing to empower community banks and their customers.

As noted by a coalition letter signed by CEI, “such a drastic expansion of federal insurance coverage fundamentally alters the risk calculus of depositors and financial institutions, embedding greater moral hazard into the system.”¹ I have also written previously that an increase of deposit insurance limits of this size would have devastating consequences, as banks’ largest customers would have much less reason to monitor their financial institutions. As I have stated: “Even the wealthiest, most financially sophisticated individuals would have much less incentive to monitor what their banks were doing – by for instance, looking at private credit rating issues for the bank by firms such as Moody’s and Standard & Poor’s – if they knew the government were to guarantee any amount of money they put in a bank. With much less oversight from their largest customers, banks would have more incentive to mismanage their risks, particularly to please their political overlords through causes such as ESG.”²

¹ Coalition Letter Re: “Opposition to Increasing FDIC Deposit Insurance Limits”, November 17, 2025, https://www.protectingtaxpayers.org/wp-content/uploads/2025/11/TPA_DepositInsuranceHearing_Letter4.pdf.

² John Berlau, “The Risks of Bailing Out Silicon Valley Bank’s Uninsured Depositors and How to Make the Banking System Resilient,” Competitive Enterprise Institute blog, March 15, 2023, <https://cei.org/blog/the-risks-of-bailing-out-silicon-valley-banks-uninsured-depositors-and-how-to-make-the-banking-system-resilient/>.

Should an implosion of banks result from the increased deposit insurance limits, it could put at risk both U.S. markets and the deregulatory initiatives this committee and the Trump administration is pursuing. Take the bipartisan push for reduced barriers to the formation of new banks, or de novo banks, advanced this year in legislation cleared by this committee and by actions and at financial regulatory agencies. This is a wonderful initiative that I was so pleased to testify in favor of before this committee in May.³

Yet if the proposed increase in deposit insurance becomes law and banks implode as a result, a financial crisis might prompt regulators and/or legislators to derail these efforts, even though deregulation would not be the cause. Worse, a prudent de novo bank would have to pay the cleanup cost of an imprudent established bank that had been incentivized to risky behavior by the deposit insurance increase.

Businesses fortunate enough to have millions to deposit in banks must be prudent in monitoring the financial institutions in which they deposit their money. Congress can assist them by lowering barriers to market innovations such as reciprocal deposit insurance services⁴ and private deposit insurance, but these wealthy bank customers must not be allowed to shift their risks to well-managed banks of all sizes and ultimately to taxpayers.

Thank you for considering CEI's viewpoint on this important issue. Please also feel free to follow up with me at John.Berlau@cei.org.

Sincerely,

John Berlau
Director of Finance Policy
Competitive Enterprise Institute

³ Testimony of John Berlau before the House Financial Services Committee, Subcommittee on Financial Institutions Hearing: "Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation," May 14, 2025, <https://cei.org/wp-content/uploads/2025/05/testimony-of-John-Berlau-5-14-25-1.pdf>.

⁴ Claire Williams, Brokered deposit bills fly through HFSC, *American Banker*, September 16, 2025, <https://www.americanbanker.com/news/brokered-deposit-bills-fly-through-hfsc>.