Independent Women's Forum

Independent Women's Voice

May 14, 2024

Chairman Sherrod Brown
534 Dirksen Senate Office Building
Washington, D.C. 20510

Ranking Member Tim Scott
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Brown, Ranking Member Scott, and Members of the Committee,

Independent Women's Forum (IWF) and Independent Women's Voice (IWV) write to express our deep concerns with the leadership of the Federal Deposit Insurance Corporation (FDIC). Independent Women fights for women and their loved ones by effectively expanding support for policy solutions that aren't just well-intended but actually enhance people's freedom, opportunities, and well-being. We thank the Committee for its oversight of the FDIC and for holding its upcoming hearing, titled Oversight of Prudential Regulators.

Every worker in the United States deserves a workplace that is free from discrimination and harassment of any kind. The disturbing allegations about the workplace culture at the FDIC, first brought to light by a **Wall Street Journal investigation** last November and recently corroborated by an **independent investigation**, raise serious doubts about the agency's leadership. Separately, the FDIC's aggressive regulatory agenda calls into question its ability to enact its core mission.

The FDIC is an independent federal agency of fewer than 6,000 employees that works to maintain stability and public confidence in the U.S. banking system. Internally, the work environment at the FDIC has reportedly **devolved** into "a toxic and sexualized workplace" featuring hostile, abusive, and unprofessional behavior tolerated for years rather than rooted out and reformed.

The allegations are startling for any workplace, but especially a federal agency under an administration that claims to take a whole-of-government equity approach. Female workers allegedly received lewd photos from senior male colleagues and invitations to strip clubs and sex cafes. Supervisors reportedly slept with junior staff and publicly bragged about the trysts without repercussions. Heavy drinking was seemingly encouraged, and employee intoxication was ignored. Harassment of LGBT employees may also have gone unaddressed.

Based on interviews with FDIC employees, as well as legal filings, union grievances, Equal Employment Opportunity complaints, emails, text messages, and other internal documents, the Journal assembled a story of an agency that ignored bad behavior or was "hesitant to impose harsh discipline" against wrongdoing. The tone was set at the very top by Chairman Martin Gruenberg. Gruenberg allegedly contributed to this environment. He "built a reputation for bullying and for having an explosive temper," according to agency officials. Mr. Gruenberg spent nearly two decades at the FDIC—including leading the agency from 2011 to 2018—and had himself been the **subject of an inquiry**.

The Journal's allegations might have been speculative, but an **investigation** by an independent law firm now corroborated them and found that Gruenberg "failed to provide a workplace safe from sexual harassment, discrimination, and other interpersonal misconduct."

The recent report was based on roughly 500 employee accounts of sexual harassment—nearly 10% of the FDIC staff. Beyond the allegations, the culture of inaction and tolerance created a chilling effect among workers in reporting misconduct and a lack of accountability for wrongdoers. For example, according to the FDIC's public reporting, of the 92 harassment complaints made through its Anti-Harassment Program from 2015 to 2023, "not a single one resulted in removal, reductions in grade or pay, or any discipline more serious than a suspension."

Chairman Gruenberg, who held various leadership positions over the last 20 years at the FDIC, was accused of "treating his staff with behavior that was 'extremely difficult and volatile,'" creating "a patriarchal, insular, and risk-averse culture" with "widespread fear of retaliation."

The FDIC is desperately in need of reform. After nearly two decades at the agency, including several stints as acting director, how can Gruenberg be trusted to reform the agency? The independent report noted, "Leading cultural transformation at an agency that he has led for so long presents unique challenges for Chairman Gruenberg. These attributes may hinder his ability to establish trust and confidence in leading meaningful culture change, and so too may his apparent inability or unwillingness to recognize how others experience certain difficult interactions with him."

Misconduct, wrongdoing, and a lack of leadership undermine the FDIC's mission, as does a misguided policy agenda. The agency serves a critical role in our economic system by insuring deposits and supervising financial institutions for safety, soundness, and consumer protection. However, its policy approach has also been questionable.

The Biden administration has used the FDIC to advance a hyper-punitive regulatory agenda that undercuts small banks, consumers, and small businesses. For example, in the wake of the failures of Silicon Valley Bank (SVB), Signature Bank (Signature), and First Republic Bank (FRB) in 2023, FDIC policy changes would amend the current structure for federal deposit insurance coverage. All of the options proposed involved increasing the threshold for federal deposit insurance and requiring greater regulation. Under current law, the federal deposit insurance limit as administered by the FDIC is $250,000 per depositor, per bank, and per ownership category. However, raising the threshold for deposit insurance will lead to higher fees that will be passed on to bank customers–hurting poor consumers hardest. Increasing banking costs is an unwanted added expense when household budgets are already under strain.

Furthermore, it's questionable whether raising the threshold is needed. Most small businesses and Americans are already covered by the current deposit insurance threshold. The median savings account balance for Americans was **$5,300** and **$12,100** for small businesses. Fewer than **one percent** of account holders—just 0.83%—held more than $250,000. Meanwhile, by expanding the safety net for deposits, the FDIC heightens moral hazard risks as consumers are encouraged to pursue riskier investments. All of this requires the expansion of the federal government's regulatory power in the banking sector, regardless of how that may harm consumers and small businesses.

For all of these concerns, we believe that the FDIC would be better served by new leadership that can set an authentic example for workers, enact needed reforms, and pursue a policy agenda that doesn't bury the banking sector under costly red tape.

All employers have a responsibility to foster workplace cultures where men and women feel free to interact in healthy professional relationships. That is possible at the FDIC, but not under the leadership of Chairman Greunberg. We urge all committee members to demand his resignation.

Sincerely,

Patrice Onwuka
Director
Center for Economic Opportunity