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May 30, 2025

Submitted Electronically

Ms. Marlene Dortch, Secretary
Federal Communications Commission ("FCC")
45 L Street NE
Washington, DC 20554

Re: WC Docket Nos. 10-90, 18-143, 19-126, 24-144; AU Docket Nos. 17-182, 20-34; GN Docket No. 20-32; FCC 24-64; FR ID 226925

Dear Secretary Dortch:

On November 20, 2024, the FCC announced a change in its screening standards that increased "the number of banks qualified to issue letters of credit compared to our prior standard, which required a B- or better Weiss safety rating, while also ensuring that we only accept letters of credit from financially stable banks."

Weiss Ratings never accepts any form of payment for its ratings from the rated institutions. Nor has the FCC ever paid Weiss for the use of its ratings or informed Weiss that it was using them. But we did not protest because our primary mission is to help protect consumers from risk, as the FCC was seeking to do with the Weiss safety ratings.

Today, however, with that goal foremost in mind, we wish to bring to your attention key facts that belie the words of the Nov. 20 announcement in two fundamental ways.

First, the FCC has not merely changed its screening standards; it has virtually abandoned any semblance of screening.

Based on the FCC's prior minimum requirement — a Weiss Rating of B- or better — 63.4% of institutions would be disqualified from the program today.

Even if the FCC lowered its minimum requirement to a Weiss Ratings of C- or better — a riskier option — 14.3% of institutions would still be disqualified.

However, with its new standard, based on the definition of "well capitalized" used by bank regulators, only a tiny 0.6% of the nation's banking institutions are disqualified.

Second, the term "financially stable" is also inappropriate. Based on the banking regulators' current standards, among the nation's 4,479 banks, 4,452 are "qualified," including many institutions with dangerously low capital, liquidity, profitability and other metrics.

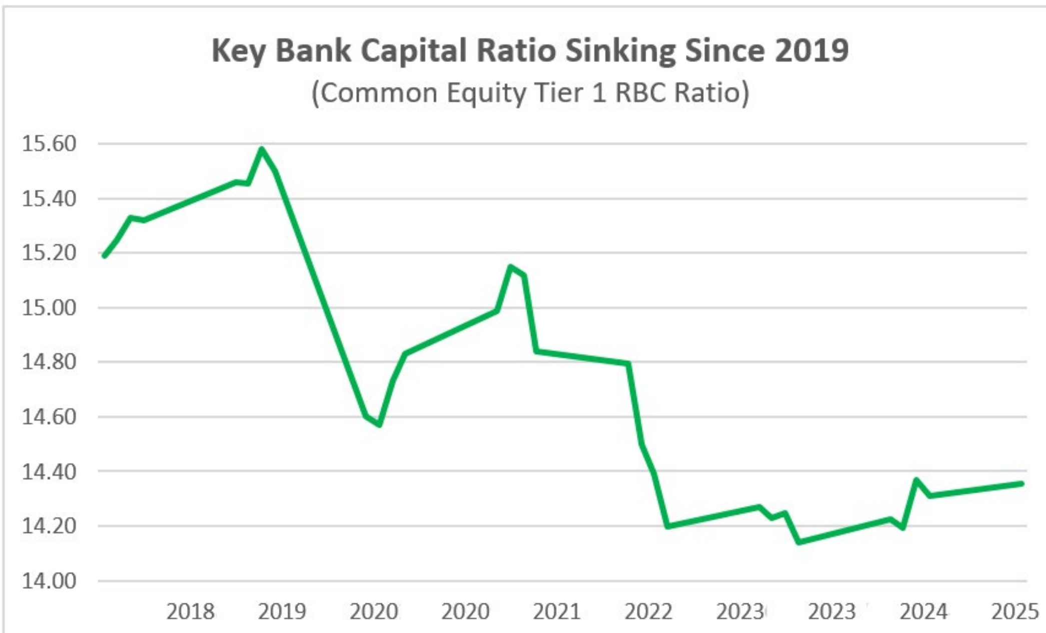
Overall, among the nation's 4,479 banking institutions, only 27 are disqualified under the new standards adopted by the FCC.

This "come one, come all" policy, welcoming nearly all the weakest banks in the nation, raises six urgent questions for consumers, regulators and the banks themselves:

Question 1. Have all, or nearly all, of the nation's banks made such great improvements in their capitalization to justify this radical loosening of standards?

Answer: No.

Quite to the contrary, when the FCC dropped its standards, the capitalization of the nation's banking industry had been falling for six years and continues on the same general downtrend today. (See chart below).



Question 2. How many of the so-called "qualified, well-capitalized" banks are at risk of financial difficulties?

Answer: Among the supposedly "financially stable" banks, 649 currently get a Weiss Rating of D+ or lower, representing an unacceptably high probability of future failure.

This high risk is not only because of declining and inadequate capital, but also due to other critical factors that the regulators' capital requirements do not consider, such as liquidity, asset quality, profitability and more.

Question 3. Are the weak banks strictly smaller institutions that play a relatively minor role in the economy?

Answer: No.

Bank of America, the nation's second-largest bank (with $2.6 trillion in assets), not only has the weakest Weiss capital ratios among the nation's 50 largest banks but also reports $49.7 in unrealized losses on its books for each $100 of Tier 1 capital.

This means that, if, at some future date, Bank of America is forced to realize its losses, half its capital could be gone.

Other relatively large banks in the same approximate risk category as Bank of America (with a C- Weiss Rating) include Synchrony Bank ($114.8 billion), Flagstar Bank, National Association ($97.6 billion), East West Bank ($75.7 billion), Valley National Bank ($61.8 billion), Associated Bank, National Association ($43.2 billion), Bank OZK ($39.2 billion), Prosperity Bank ($38.8 billion), Eastern Bank ($25 billion), plus ten others with assets over $10 billion.

Meanwhile, USAA Federal Savings, with $110.8 billion in assets, is in even worse shape — with an unhealthy combination of both weak capital and poor profitability.

Others in the same general risk category as USAA (with a Weiss Rating of D+ or lower) include Bank of Hawaii ($23.8 billion in assets), Cathay Bank ($23.2 billion), Farmers & Merchants Bank of Long Beach ($11.5 billion) and Washington Trust Bank ($10.7 billion), plus many others.

All these large banks suffer from severe deficiencies. Yet, all are said to be “financially secure” per the FCC’s new standards.

Question 4. Do the current capital metrics — used by the banking regulators and adopted by the FCC — have a decent track record of anticipating future financial difficulties or failures?

Answer: Not at all.

On Sept. 25, 2008, Washington Mutual Bank failed with a very large $307 billion in assets. And yet, if today’s capital standards had been applied to the bank at that time, it would have been deemed “well capitalized” or “financially secure.”

Nearly two months later, on Nov. 21, 2008, Downey S&L, FA (with $12.8 billion in assets) also failed, again even while it would have merited a “financially secure” designation based on the new standard the FCC has now adopted.

In addition, the nation’s largest banks, rescued from the jaws of failure by massive government bailouts under the TARP program, would have also merited a “financially secure” bill of health.

These include Bank of America (with $1.7 trillion in assets at the time of the bailout), JPMorgan Chase ($1.8 trillion), Wells Fargo ($609 billion), PNC Financial Services Group ($146 billion), U.S. Bancorp ($266 billion), Capital One Financial ($150 billion), Regions Financial ($144 billion), Bank of New York Mellon ($267 billion), State Street ($286 billion) and BB&T Corp (now Truist with $143 billion in assets), and others.

We repeat: All of these would have been considered “financially secure” under the FCC’s new standard.

None would have been disqualified from doing business in any way, including accepting consumer deposits, using their funds to speculate in high-risk assets or providing letters of credit for crucial government-sponsored programs.

Question 5. Isn't it possible for the banking regulators to better prepare and protect consumers? Can't they do a better job of warning the public about the relative probability of future financial difficulties and failures?

Answer: Absolutely!

The CAMEL formulas traditionally used by analysts to evaluate bank safety, including metrics of **C**apital, **A**ssets, **M**anagement, **E**arnings and **L**iquidity, are far more comprehensive than capital ratios alone.

The CAMEL formulas are widely known. And when properly applied, they have been vastly more accurate than the "well capitalized" definition used by banking regulators and adopted by the FCC.

Similarly, the Weiss Ratings, grounded in most of the same basic principles as CAMEL — plus additional algorithms that go beyond CAMEL — have warned the public well in advance of 97.1% of bank failures that occurred from January of 2008 through May of 2025, while at the same time accurately identifying the banks with the lowest risk of failure.

Question 6. Why has the FCC decided to abandon the accuracy of CAMEL-type metrics, replacing them with the more simplistic, narrow and obviously failed "well capitalized" standard?

Answer: It appears the FCC has caved to pressure from various banks.

As documented on its website, throughout 2024, the FCC received a torrent of letters and demands organized by banking associations around the nation to drop the Weiss Ratings as its standard.

Those institutions had an ax to grind. They did not want their downgrades or poor showing on the Weiss Ratings scale to disqualify them from their lucrative business sponsored by the FCC.

Whether the FCC uses the Weiss safety ratings or not, 129 million households and 37 million businesses with bank accounts in the U.S. deserve a higher level of scrutiny, clarity and disclosure regarding the safety of their financial institutions, free of conflicts or cover-ups.

Sincerely,

Martin D. Weiss, PhD
Weiss Ratings Founder