FDIC Office of Inspector General

# Material Loss Review of Community Bank & Trust - West Georgia

Office of Audits

**November 2026 | EVAL-27-01**




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PUBLICLY AVAILABLE

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Office of Inspector General

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Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

# Executive Summary

**Material Loss Review of Community Bank & Trust – West Georgia** (EVAL-27-01) November 2, 2026

## What We Did

Our objectives were to (1) determine why Community Bank & Trust's problems resulted in a material loss to the DIF; (2) evaluate the FDIC's supervision of Community Bank & Trust, including the FDIC's implementation of the Prompt Corrective Action requirements of Section 38 of the Federal Deposit Insurance Act; and (3) make recommendations for preventing any such loss in the future.

We reviewed bank records and information, FDIC supervisory workpapers and examination results, the FDIC's Failing Bank Case, and FDIC policies and procedures. We also interviewed relevant FDIC personnel.

## Impact on the FDIC

Effective coordination with Federal agencies that administer Government-guaranteed loan programs helps ensure that the FDIC receives relevant information to assess safety and soundness concerns and promotes broader Federal program integrity. In addition, proactive supervisory response to emerging risks and classifying loans when warranted can result in earlier corrective action and reduces risk to the DIF.

## What We Found

**Causes of Failure and Material Loss to the Deposit Insurance Fund**

Community Bank & Trust's failure occurred due to deficient management and Board oversight of its aggressive growth strategy and its rapidly deteriorating asset quality, which depleted its capital. Specifically, after a change in control at its holding company in March 2022, bank management pursued an aggressive and unrestrained growth strategy centered on originating Government-guaranteed loans and acquiring problem assets from other entities without implementing adequate risk management practices or sufficient internal controls. Ultimately, the bank's origination and acquisition of an excessive volume of low-quality problem assets led to significant operating losses and capital erosion, resulting in a material loss to the Deposit Insurance Fund (DIF) of $97 million.

**FDIC's Supervision of Community Bank & Trust – West Georgia**

We found that FDIC supervision and enforcement activities associated with Community Bank & Trust were generally timely, adequate, and conformed to Prompt Corrective Action requirements. However, we identified opportunities for improvement to further strengthen the FDIC's supervisory capabilities and to protect the DIF from future losses.

Specifically, we determined that the FDIC could improve its (1) coordination efforts with Federal agencies that administer Government-guaranteed loan programs, (2) supervisory response when off-site monitoring information demonstrates elevated risk, and (3) application of existing guidance over loan classifications for Government-guaranteed loans.

## What We Recommended

We made three recommendations to improve the FDIC's supervisory practices and help prevent future losses to the DIF. Specifically, we recommended that the FDIC assess current methods for coordinating with other agencies that administer Government-guaranteed loan programs, review and revise off-site monitoring guidance as necessary to emphasize proactive supervisory response to elevated risk and common bank failure patterns, and reiterate its revised guidance and conduct monitoring to evaluate consistency in the application of FDIC loan classification procedures for Government-guaranteed loans. The FDIC concurred with all three recommendations and plans to complete all corrective actions by August 31, 2027.

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# Material Loss Review of Community Bank & Trust - West Georgia

## OBJECTIVE

The objectives of the material loss review[1] were to (1) determine why Community Bank & Trust's problems resulted in a material loss to the Deposit Insurance Fund (DIF); (2) evaluate the FDIC's supervision[2] of Community Bank & Trust, including the Federal Deposit Insurance Corporation's (FDIC) implementation of the Prompt Corrective Action (PCA) requirements of Section 38 of the Federal Deposit Insurance Act; and (3) make recommendations for preventing any such loss in the future.

## BACKGROUND

On May 1, 2026, the Georgia Department of Banking and Finance (GDBF) took possession and control of Community Bank & Trust and appointed the FDIC as receiver.[3]

Community Bank & Trust was a state nonmember bank headquartered in LaGrange, Georgia, that was established and insured on December 15, 1984. Historically, Community Bank & Trust offered traditional loan and deposit products, with limited participation in U.S. Department of Agriculture (USDA) and Small Business Administration (SBA) guaranteed lending. Community Bank & Trust was wholly owned by its holding company, Community Bankshares, Inc. (CBI).[4] On March 16, 2022, CBI was acquired through a change in control, which resulted in a recapitalization of Community Bank & Trust and substantial changes to its executive management team and directorate.[5] At the time of this change in control, Community Bank & Trust's total assets were approximately $83 million, and the bank was subject to a Consent

[1] Section 38, Prompt Corrective Action, of the FDI Act requires the Inspector General of the appropriate Federal banking agency to conduct a review and issue a written report when there is a material loss to the DIF related to an insured depository institution for which the FDIC is appointed receiver. Under section 38(k) of the FDI Act, a loss to the DIF is considered material if the estimated loss is more than $50 million.
[2] The FDIC supervises insured state-chartered banks that are not members of the Federal Reserve System, state-chartered savings associations, and insured state-charted branches of foreign banks.
[3] On May 1, 2026, the GDBF reported that the FDIC entered into an agreement with Anchor Bank of Palm Beach Gardens, Florida, to acquire certain assets and insured deposits of the bank.
[4] CBI was regulated by the Board of Governors of the Federal Reserve System.
[5] CBI was acquired through a merger agreement and the associated acquisition of stock.

Order,[6] effective August 16, 2012.[7] While the change in control resulted in temporary improvements in Community Bank & Trust's financial position, it also led to significant changes in the bank's strategic direction. Specifically, Community Bank & Trust subsequently embarked on an aggressive nationwide growth strategy focused on Government-guaranteed loan programs administered by the USDA and the SBA.[8]

To facilitate the bank's national lending strategy and focus on Government-guaranteed loans, CBI established two key subsidiaries that served as affiliates to the bank. In November 2024, CBI formed Phoenix Lender Services, LLC to provide origination, servicing, and compliance services to Community Bank & Trust and to other entities. In January 2025, CBI acquired Thomas Financial Group, Inc (Thomas) to provide SBA loan origination services to Community Bank & Trust and to other entities. At the time of its closure on May 1, 2026, Community Bank & Trust's had total assets of approximately $285 million.[9]

Between June 2025 and January 2026, the FDIC and the GDBF downgraded the bank's safety and soundness rating to a Composite "5"[10] and issued an associated Consent Order. According to the FDIC, the estimated loss to the DIF from Community Bank & Trust's failure was $97,284,000, or 34 percent of the bank's $284,754,471 in total assets.[11]

[6] A Consent Order is a type of formal enforcement action that is issued by regulatory agencies. A Consent Order contains specific provisions for improvement, usually within a specific period of time. Agencies review the bank's progress against Consent Order provisions and recommend termination when appropriate corrective actions have been taken.
[7] The 2012 Consent Order stipulated the bank to various provisions related to management, capital, classified assets, liquidity, and asset growth. Regulators removed the Consent Order on May 16, 2024 due to significant improvements in the bank's overall condition.
[8] The bank also offered traditional loan and deposit products.
[9] Between March 31, 2022, and May 1, 2026, total assets for the bank had increased by approximately $199 million or 233 percent.
[10] According to the FDIC's Risk Management Manual of Examination Policies, a Composite "5" indicates that financial institutions in this group exhibit extremely unsafe and unsound practices or conditions; exhibit a critically deficient performance; often contain inadequate risk management practices relative to the institution's size, complexity, and risk profile; and are of the greatest supervisory concern.
[11] Community Bank & Trust's Government-guaranteed loan portfolio was not acquired by bidders during its resolution and has been maintained in FDIC receivership.

# RESULTS

## Cause of Failure and Loss to the Deposit Insurance Fund

Community Bank & Trust's failure occurred primarily due to deficient management and Board oversight of its aggressive growth strategy and its rapidly deteriorating asset quality, which depleted its capital. Specifically, after a change in control at the holding company in March 2022, bank management pursued an aggressive and unrestrained growth strategy centered in originating Government-guaranteed loans and acquiring problem assets from other entities.[12] However, bank management did not implement adequate risk management practices, sufficient internal controls, or effective oversight methods in response to the new strategy. Ultimately, the bank's origination and acquisition of an excessive volume of low-quality problem assets led to significant operating losses and capital erosion, resulting in the bank's failure and a material loss to the DIF.[13]

## The FDIC's Supervision of Community Bank & Trust – West Georgia

The following section details Community Bank & Trust's supervisory history, including the FDIC's supervisory response to identified risks and results from our review of the FDIC's supervision of Community Bank & Trust.

[12] Community Bank & Trust purchased non-guaranteed portions of loan pools at a discount.
[13] Community Bank & Trust's Government-guaranteed loan portfolio totaling $143,166,597 was not purchased during the bank resolution and auction process and was retained by the FDIC.

# Material Loss Review of Community Bank & Trust - West Georgia

**Figure 1: Timeline of Significant Events**




**Source:** Office of Inspector General (OIG) analysis of FDIC examination documentation.

## ***The FDIC's Supervisory Actions***

Our review of the failure of Community Bank & Trust and the FDIC's supervision focused on the timeframe occurring just prior to and after the change in control of its holding company, CBI. Between 2021 and 2026, the FDIC and the GDBF conducted four full-scope joint safety and soundness examinations of Community Bank & Trust.[14] The FDIC and the GDBF also conducted four separate visitations over this period. During this period, the bank was subject to formal Consent Orders and Matters Requiring Board Attention (MRBA).[15] **Table 1** below summarizes Community Bank & Trust's supervisory history, including resulting supervisory ratings and actions.

[14] The FDIC's *Risk Management Manual of Examination Policies* explains that 12 C.F.R. § 337.12 of the FDIC Rules and Regulations implements Section 10(d) of the FDI Act and governs the frequency of examinations for insured state non-member banks and state savings associations.
[15] Matters Requiring Board Attention are material examination weaknesses that require the Board's prompt action. Matters Requiring Attention (MRA) replaced the previously established FDIC terminology of MRBA in 2026.

**Table 1: Supervisory History of Community Bank & Trust (2021-2026)**

| Supervisory Activity Start Date | Supervisory Activity | Supervisory Ratings (UFIRS)[16] | Enforcement and Supervisory Action(s) |
|---|---|---|---|
| 02/22/2021 | Visitation | 555533/5 | Consent Order*; MRAs |
| 08/09/2021 | Examination | 555534/5 | Consent Order; MRAs |
| 06/21/2022 | Visitation | 423423/4 | Consent Order; MRAs |
| 09/12/2022 | Examination | 423423/4 | Consent Order; MRAs |
| 06/26/2023 | Visitation | 423323/3 | Consent Order; MRAs |
| 10/30/2023 | Examination | 222222/2 | |
| 06/23/2025 | Examination | 555454/5 | Consent Order**; MRAs |
| 02/09/2026 | Visitation | 555555/5 | Consent Order; MRAs; PCA Notification; GGL Restriction*** |

*The bank was subject to a previous Consent Order, effective on August 21, 2012, which was removed on May 16, 2024**,** due to significant improvements in the bank's overall condition.
**The FDIC and GDBF issued a new Consent Order effective January 12, 2026, in response to findings identified during the June 2025 examination and significant deterioration in the bank's overall condition.
***The bank was notified by the FDIC on March 27, 2026**,** that it must cease the origination of new Government-guaranteed loans (GGL) due to the bank's critically deficient condition and depleted capital levels.

**Source:** OIG analysis of FDIC examination documentation.

September 2022 Joint Examination

In the September 2022 report of examination (ROE), examiners disclosed that the overall financial condition was "deficient" but had improved significantly since the previous examination due to the March 16, 2022, change in control and the associated capital injection[17] of $4,800,000 from CBI. Examiners also reported that the capital injection materially improved the bank's capital levels and resulted in substantial changes to the Board composition and

[16] According to the FDIC's *Risk Management Manual of Examination Policies*, RMS examination staff assess and rate six financial and operational components - **C**apital adequacy, **A**sset quality, **M**anagement capabilities, **E**arnings sufficiency, **L**iquidity position, and **S**ensitivity to market risk - commonly referred to as CAMELS ratings. Examiners assign the component and composite ratings based on a numerical scale from 1 to 5, with 1 indicating the strongest performance and risk management practices. A 5 rating indicates the highest degree of supervisory concern.
[17] In conjunction with the March 2022 change in control, the bank received a $4.8 million capital injection from CBI that increased the Tier 1 Leverage capital ratio from 2 percent as of year-end 2021 to 8.52 percent as of March 31, 2022.

executive management. However, capital remained deficient because current levels at that time did not support the bank's risk profile, which remained elevated due to deficient earnings, elevated interest rate risk exposure, and future growth plans. In addition, examiners noted that the cross-guaranty at the sister bank, Community Bank & Trust-Alabama, Union Springs, Alabama, presented uncertainty and increased the risk profile of Community Bank & Trust – West Georgia and CBI.

Examiners reported that the new Board and management team had planned to transition the bank's business model to primarily focus on originating and purchasing participations in USDA loans. Given the new strategy, examiners recommended that the Board develop a new Strategic Plan that fully analyzed the USDA guaranteed loan expansion and the potential risks and controls necessary to prevent the bank from exposure to risks arising from rapid portfolio growth. Examiners reported that the March 2022 capital injection and actions taken by the new management team had allowed the bank to demonstrate compliance with all provisions from the 2012 Consent Order.

October 2023 Joint Examination

Examiners reported that the bank's overall condition was "satisfactory." Management improved the bank's financial condition since the previous examination by executing their strategic plan to grow the Government-guaranteed lending program. Capital had also improved as earnings retention had benefitted from loan sales associated with the Government-guaranteed lending program. Examiners reported that Community Bank & Trust's Chief Executive Officer (CEO), in coordination with the bank's Chairman, exerted an influential level of control over the bank; therefore, designating them as dominant officials.[18] At the time, examiners noted their position that active Board committees, a principal shareholder on the Board, and other outside directors would provide sufficient independence necessary to mitigate the dominant behaviors.

Following the on-site portion of the October 2023 joint exam, examiners reported that the bank's risk profile improved due to the sale of sister bank, Community Bank & Trust – Alabama, in January 2024, thereby eliminating the cross-guarantee liability[19] that was associated with the failure of Community Bank & Trust – Cornelia, Georgia in 2010. As a result, examiners

[18] A dominant official is a person who has material influence over virtually all decisions involving the institution's policies and operations. The FDIC *Risk Management Manual of Examination Policies*, Section 4.1, Directors of Banks with Dominant Management Officials (October 2025).
[19] A cross-guarantee liability is normally considered and assessed in situations where insured depository institutions have failed or are in danger of failing and a loss to the DIF has been identified or can reasonably be estimated.

upgraded the bank's Composite rating to a "2."[20] This action removed the bank from the FDIC's Problem Bank list and made the bank subject to an 18-month examination cycle.

June 2025 Joint Examination

Following the 2023 examination and associated upgrade by examiners to Community Bank & Trust's ratings, the financial condition of the bank deteriorated rapidly. Within the June 2025 ROE, examiners noted that Asset Quality, Management, Liquidity, and Capital were "critically deficient" and demonstrated an imminent threat to the bank's viability. As a result, the bank was downgraded to a composite "5" rating.[21]

Examiners reported that Asset Quality was "critically deficient" based on the level of problem assets, negative trends in performance indicators, and credit underwriting and administration weaknesses. Further, examiners concluded that management's aggressive loan growth strategy and weak risk management practices were driving the high level of Adversely Classified Items, as indicated by the heavy increase in nonaccrual, past due, and adversely classified loans. Examiners noted that this also led to a shift into more severe loan grade classifications, most of which were tied to loans originated or brought onto the bank's books since CBI's change in control.

Examiners also reported there were several changes to the organizational structure at Community Bank & Trust and CBI. For example, examiners reported that the CEO of CBI had been terminated from his position on October 21, 2025, subsequent to the examination.[22] Further, the prior CEO of Community Bank & Trust was terminated on April 17, 2025. In response, the current Chairman of Community Bank & Trust assumed the role of CEO for the bank. The dismissal of senior leadership substantially increased the dominance and influence of this individual. Examiners reported that he was the driving force behind the creation and

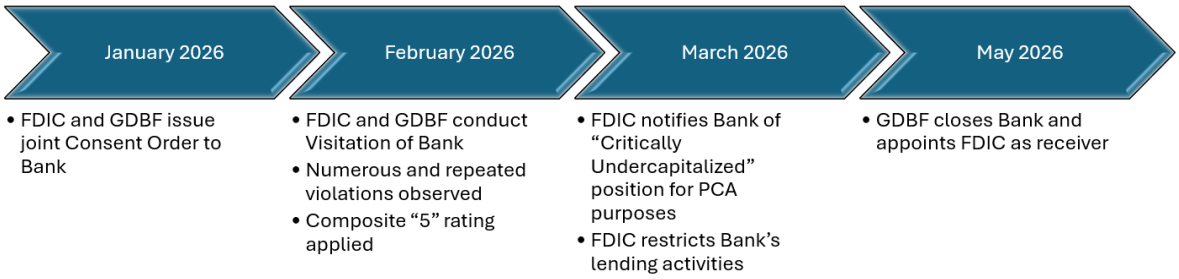
[20] According to the *Risk Management Manual of Examination Policies,* financial institutions in this group are fundamentally sound. Only moderate weaknesses are present, and these financial institutions are in substantial compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution's size, complexity, and risk profile. There are no material supervisory concerns and, as a result, the supervisory response is informal and limited.
[21] According to the *Risk Management Manual of Examination Policies,* financial institutions in this group exhibit extremely unsafe and unsound practices and are of the greatest supervisory concern. The volume and severity of problems are beyond management's ability or willingness to control or correct, and institutions in this group pose a significant risk to the DIF and failure is highly probable.
[22] The CEO of CBI also served as Director for CBI and Community Bank & Trust as well as CEO for CBI's two key subsidiaries.

implementation of the revised growth strategy since he was the predominant director and officer who had experience in the Government-guaranteed lending programs.

Further, examiners disclosed within the ROE that approximately 80 percent of adversely classified loans were originated by, referred by, or participated with Greater Commercial Lending (GCL).[23] According to loan documents and credit memoranda, GCL was the subsidiary of Greater Nevada Credit Union, which performed the servicing for most of the adversely classified loans and employed Community Bank & Trust's current CEO and Chairman prior to and after the change in control.

Examiners also reported that Board and management oversight were critically deficient and noted that the Board and management had pursued an aggressive growth strategy, particularly related to the Government-guaranteed loan program, but failed to establish an effective framework for identifying, measuring, monitoring, and controlling risks inherent in this activity. Examiners also identified 59 instances of apparent violations and nonconformance with laws and regulations, many of which were related to affiliate and insider transactions and apparent violations of 23A and 23B of the Federal Reserve Act.[24] **Figure 2** presents the subsequent events and supervisory activities occurring after the 2025 examination.

**Figure 2: Events Subsequent to 2025 Examination**




**Source:** OIG analysis of FDIC examination documentation.

[23] The assuming CEO and Chairman of Community Bank & Trust held a 25-percent ownership interest in GCL and served in executive positions within the organization.
[24] Section 23A and Section 23B of the Federal Reserve Act establish requirements and restrictions over member banks and their subsidiaries engaging in covered transactions with an affiliate.

2026 Consent Order

Generally, the FDIC initiates formal or informal corrective actions[25] against institutions with safety and soundness concerns. As previously described, prior to the change in control, the bank was subject to a Consent Order from 2012, which was subsequently terminated in 2024 as it was no longer applicable due to the bank's improved condition and compliance with the capital provisions. However, based on the results of the 2025 examination, the FDIC and GDBF issued a new Consent Order to the bank, effective January 12, 2026.[26] The Consent Order subjected the bank to various provisions related to rapid asset growth, adversely classified items, allowance for credit losses (ACL)[27], liquidity, financial reporting, affiliated and insider-related transactions, and the bank's strategic plan. The Consent Order remained in place until the bank failed in May 2026.

February 2026 Joint Visitation

Due to the rating downgrade by examiners to a composite "5" at the June 2025 examination and subsequent issuance of the January 2026 Consent Order, in February 2026, FDIC, GDBF, and Federal Reserve Bank of Atlanta examiners conducted a joint targeted review. Examiners concluded that the bank's financial condition was critically deficient and had continued to deteriorate due to (1) an ineffective governance structure, (2) capital depletion, (3) an untenable level of adversely classified items, (4) ineffective credit administration practices, (5) inadequate loan review and grading, (6) liberal loan payment deferrals and extensions to borrowers, (7) underfunded ACL, (8) inadequate financial reporting and accounting practices, and (9) weak internal controls.

Examiners also reported that there were numerous violations of laws and regulations, many of which were repeated from the 2025 examination. Examiners emphasized that "asset quality remained critically deficient because credit administration and loan underwriting practices were unacceptable and posed [an] imminent threat to the bank's viability." Examiners detailed that the deficient credit administration practices included ineffective loan collection efforts, inaccurate

[25] Informal actions are voluntary commitments made by the Board of a financial institution. Formal actions are notices or orders issued by the FDIC against insured financial institutions and/or individual respondents and are legally enforceable.
[26] Community Bank & Trust stipulated to a Consent Order issued by the FDIC and the GDBF.
[27] The ACL is a valuation account that is deducted from, or added to, the amortized cost basis of financial assets to present the net amount expected to be collected over the contractual term of the assets, considering expected prepayments. The ACL for loans and leases is the term used for those banks that adopted *ASU 2016-13*, which implements Accounting Standards Codification Topic 326, Financial Instruments – Credit losses replacing the ALLL used under the incurred loss methodology.

credit grading, and management's liberal use of payment deferrals, payment extensions, and other loan modifications that masked the true level of deterioration within the loan portfolio. Further, examiners reported that the ACL was significantly underfunded and required an additional provision of at least $6.4 million due to loan losses identified during the visitation.

Examiners reported that the Board and management had not implemented many of the corrective actions outlined in the 2025 ROE and that the Board continued to delay the recognition of credit deterioration while also prematurely recognizing revenue transactions. Examiners also reported that management and the Board appeared unable to restore the bank's financial condition to satisfactory condition. Further, examiners highlighted that the dismissal of senior staff at Community Bank & Trust and CBI had substantially increased the dominance and influence of the current Chairman and CEO.

## OIG Assessment of FDIC's Supervision

Overall, we determined that the FDIC's supervisory response and enforcement activities applied to Community Bank & Trust were adequate. Specifically, when considering the rapid nature of the bank's deterioration from a 2-rated bank[28] and the lack of transparency from its management, the FDIC applied an adequate supervisory response once the full scope of the bank's problems were identified. However, we identified areas for improvement to further strengthen FDIC supervisory capabilities, reduce examiner overreliance on bank leadership for information, and protect the DIF from future losses.

### ***Coordination with Other Federal Agencies***

The FDIC coordinated its supervisory activities over Community Bank & Trust with the GDBF and the Board of Governors of the Federal Reserve System. However, FDIC examination personnel did not consistently communicate or coordinate with the agencies that administer Government- guaranteed loan programs regarding Community Bank & Trust to share information or determine the associated risk and appropriateness of the bank's lending activities, its status, and its compliance with Government-guaranteed loan program requirements.

The FDI Act authorizes the FDIC, at the discretion of the agency, to furnish any ROE or other confidential supervisory information concerning any depository institution to any other Federal agency with "regulatory authority over the depository institution" or to any other person that the

[28] Financial institutions in this group are considered fundamentally sound.

FDIC determines to be appropriate.[29] Further, the FDIC's regulatory authority allows the Director of the Division of Risk Management Supervision (RMS), in the Director's discretion and for good cause, to disclose reports of examination or other confidential supervisory information to such entities.[30]

We previously reported in May 2023 that the FDIC did not effectively share information with other Federal agencies or ensure that it obtained relevant information from Federal agencies regarding banks that participate in Government-guaranteed loan programs.[31] Our previous report also noted that FDIC examination personnel often did not contact other Federal agencies to obtain direct and independent information about the financial institution that may influence the approach in conducting examinations. We reported that absent regular communication with other Federal agencies, FDIC examiners may not become aware of, identify, understand, or communicate the significance of deficiencies or concerns that could impact examination approaches, scoping, testing, or considerations for safety and soundness and consumer harm.

In response to our report recommendations, on February 5, 2024, the FDIC issued revised guidance to enhance, formalize, and centralize information sharing procedures with Government-guaranteed loan agencies.[32] The FDIC's memorandum explains that there may be instances where the FDIC and Government-guaranteed loan agencies have a need, such as a common concern, to share information related to institutions that participate in Government-guaranteed loan programs. The memorandum also notes that there may be circumstances that warrant examiners to request confidential information directly from the agencies if they have a significant bearing on the examiners' assessment of the risk the institution's Government-guaranteed loan activities present to the safety and soundness of the institution.

Finally, the memorandum highlights the FDIC-SBA 2019 Memorandum of Understanding (MOU), which states that the FDIC and SBA will meet semi-annually and discuss pertinent supervisory items as described in the FDIC-SBA 2019 MOU and the associated "Covered Institution" list.[33] While we recognize the FDIC's efforts to improve its guidance and standardize

[29] Section 7(a)(2) of the Federal Deposit Insurance Act; 12 USC 1817(a)(2) (2018).
[30] 12 C.F.R. § 309.6(b)(3) (2021).
[31] OIG Report, *FDIC Examinations of Government-Guaranteed Loans*, (EVAL-23-001) (May 2023).
[32] RMS Memorandum 2024-006-RMS: Information Sharing Procedures with Federal Agencies that Administer Government-Guaranteed Lending and Government-Insured Mortgage Lending (collectively "GGL") (February 2024).
[33] "Covered Institution" is an FDIC-supervised SBA Lender identified by SBA based on the lender's concentration of SBA loans relative to its total loan assets, the size of its SBA loan portfolio, or other concerns related to its SBA loan portfolio.

its information sharing efforts, further coordination efforts are needed to streamline administrative processes and ensure relevant information is obtained in a timely manner.[34]

Despite the intentions expressed in the MOU, the FDIC and SBA did not conduct formal semi-annual meetings in 2025 or in 2026. This is the same period of Community Bank & Trust's excessive growth in SBA guaranteed lending and after FDIC examiners had observed that the bank's condition had deteriorated and identified significant weaknesses with its loan underwriting and administration practices. According to FDIC officials, the meetings did not occur as scheduled due to competing priorities at both agencies.

Correspondence from other Federal agencies restricting the bank's Government-guaranteed lending activities was not disclosed to FDIC examiners.

In addition, all FDIC examination personnel we interviewed confirmed that any information regarding Community Bank & Trust's Government-guaranteed loan program participation and status came directly from bank management with no direct communication or coordination with officials from the USDA or the SBA. However, based on our interviews with FDIC examination personnel and review of FDIC examination reports and supporting evidence, direct coordination with these Federal agencies was warranted.[35]

Specifically, by the time FDIC examination personnel had completed the on-site portion of the 2025 examination, they had determined that Community Bank & Trust's management was 5-rated or "critically deficient," was excessively late in responding to examiner requests for information, and was not transparent regarding the true financial condition of the bank and its loan portfolio. FDIC examination personnel we interviewed also confirmed that their discovery of the restrictions applied by both the USDA and the SBA to Community Bank & Trust's Government-guaranteed lending activities and program participation only occurred through alternative means or after excessive effort. This included the discovery of restrictions through lawsuits filed against the holding company, repeated requests to bank leadership for information, and bank disclosures after critical FDIC decisions had occurred.

The 2025 ROE disclosed that approximately 80 percent of adversely classified loans were USDA and SBA guaranteed loans originated by or referred by entities with whom the current bank CEO and Chairman was formerly employed or maintained an ownership interest.

[34] This includes the sharing of confidential supervisory information when necessary.
[35] FDIC examination personnel we interviewed stated that they inquired about their ability to obtain information directly from these Federal agencies, but there was a general lack of clarity and understanding within the FDIC regarding the methods to facilitate this need. As a result, no direct communication occurred.

Notably, examination personnel confirmed that court filings issued by a previously terminated officer of the holding company informed them of the correspondence from the USDA in August 2025. That correspondence restricted CBI's and Community Bank & Trust's USDA lending activities and requested voluntary suspension of its approved lender status.[36] Further, correspondence from the SBA on March 9, 2026, terminating the bank's delegated lending authority was not provided to FDIC examiners until April 21, 2026. In addition, correspondence from the USDA on February 18, 2026, pausing the bank's guaranteed lending activities due to excessive delinquencies was not provided to FDIC examiners until April 8, 2026.

Ultimately, the untimeliness of these specific disclosures limited the full scope of material information available to the FDIC when assessing a waiver request from the bank and the associated risk. Specifically, on March 27, 2026, the FDIC notified Community Bank & Trust that it was "critically undercapitalized" based upon the results of the February 9, 2026 visitation. The FDIC also notified the bank at this time that it must cease the origination of any new Government-guaranteed loans.[37] However, on April 3, 2026, upon the bank's request and in the interest of minimizing the perceived harm to borrowers,[38] the FDIC subsequently issued a temporary waiver to its restriction for loans with written binding commitments and assigned loan numbers extended by the bank prior to March 27, 2026. Within its request for the FDIC's temporary waiver to lending restrictions, bank officials did not disclose the March 2026 letter from the SBA requesting voluntary termination of its delegated lending authority, or the February 2026 pause letter from the USDA. The FDIC's waiver resulted in the potential funding by Community Bank & Trust of an additional 21 Government-guaranteed loans totaling approximately $48 million.[39]

We observed multiple other significant events occurring throughout 2025 and 2026 that highlighted additional outreach opportunities for the FDIC and supported that direct coordination with the USDA and SBA would have been prudent to determine the full extent of safety and soundness risk and associated risk of loss that the bank presented. For example, the June 2025 ROE noted the Government-guaranteed loan portfolio represented almost 75 percent of the

[36] *See* Christopher G. Hurn and JulRei Enterprises LLC v. CBI presenting restrictions to CBI and Community Bank & Trust's USDA lending activities and request to voluntarily agree to suspend its approved lender status.
[37] Examiners had determined that the bank's credit administration and loan underwriting practices were unacceptable and posed an imminent threat to the bank's viability.
[38] FDIC officials also noted considerations over the risk of a deposit run at the bank as part of their rationale for approving the waiver.
[39] Correspondence from FDIC examination personnel supported that due to the bank's critically deficient capital, these loans presented additional risk to the DIF. By the time of Community Bank & Trust's closure on May 1, 2026, only six of these loans totaling $15.7 million had been funded and disbursed.

bank's total loans. In addition, the 2025 ROE noted that the bank's SBA Lender Report illustrated negative trends within the SBA loan portfolio that were reflected in higher-than-peer default rates, non-performing asset ratios, and charge-off rates. Notably, the bank had a 20.35 percent 12-month default rate compared to 3.55 percent at peer institutions and a nonperforming asset ratio of 120.28 percent compared to 10.92 percent at peer institutions.

As described later in this report, examiners sampled and identified multiple loans within the Items Subject to Adverse Classification section of the report that demonstrated non-compliance with Government-guaranteed loan program requirements. We observed similar disclosures in the FDIC's February 9, 2026 visitation report. In addition, on February 19, 2026, FDIC examination personnel met with a CBI Board member who expressed his opinion that the current bank CEO and Chairman had a "loose relationship with the truth" and exerted significant pressure on the bank's Credit Committee to "approve everything."

We acknowledge the significant challenges that the FDIC faced when supervising Community Bank & Trust due to its rapid deterioration over only one examination cycle and the lack of transparency from its leadership. However, these events highlight the need for the FDIC to revisit its guidance and explore additional coordination and information sharing methods with Federal agencies. Improved coordination will help ensure that the FDIC receives all relevant information to assess safety and soundness concerns in a timely manner and help protect the DIF from loss. In turn, improved coordination and information sharing methods will help other Federal agencies receive relevant information to administer and ensure the integrity of their guaranteed loan programs.

On June 30, 2026, the FDIC published its notice of proposed rulemaking to update, clarify, and supplement the FDIC's regulations governing the disclosure of confidential information by the FDIC and other parties.[40] The FDIC's proposal disclosed that it would significantly simplify and clarify the requirements and restrictions applicable to the FDIC's discretionary disclosure of confidential supervisory information. The proposal also highlighted that the FDIC's current information disclosure regulations include administrative impediments to disclosing information that are unnecessarily burdensome and may produce inconsistent results. The FDIC's comment period for the proposed rule was set to close on October 5, 2026.

[40] Federal Register Notice (June 30, 2026)

**Recommendation 1:**

We recommend that the **Director, Division of Risk Management Supervision**, assess and adjust current methods to effectively coordinate with other Federal agencies that administer Government-guaranteed loan programs to facilitate timely information sharing, support proactive identification of risk, inform supervisory responses, and help protect the DIF.

***Application of Off-Site Review Program Requirements***

As presented above, we found that the FDIC applied an adequate supervisory response once the full scope of Community Bank & Trust's problems were identified. However, we concluded that the FDIC's off-site monitoring program review information and other factors supported an interim CAMELS downgrade to the bank's Asset Quality component rating as early as December 2024. Specifically, we determined that information available to the FDIC at the time supported a rating of "3" for Asset Quality as significant growth in the bank's assets had occurred and financial trends demonstrated deterioration in asset quality, an increase in risk exposure, an increase in past due loans, and an elevated level of supervisory concern.[41] Nonetheless, after inquiring with bank management and receiving additional explanation, FDIC officials elected to assess Asset Quality during the regularly scheduled 2025 examination, where examiners subsequently downgraded the bank's Asset Quality to a "5" or critically deficient.[42]

The FDIC's *Interim Changes for Uniform Financial Institutions Ratings* guidance states that "interim rating changes may result from onsite events or off-site supervisory purposes." It further states that, "ratings should be reconsidered whenever there's sufficient evidence that the financial condition or risk profile of the institution has changed." Although financial trends for Community Bank & Trust supported that its financial condition had significantly changed, the bank's ratings remained unchanged until the end of the 2025 examination. In addition, the FDIC's Case Manager Procedures state that the primary purpose of the Off-site Review

[41] According to the FDIC's *Risk Management Manual of Examination Policies*, a rating of "3" is assigned when asset quality or credit administration practices are less than satisfactory. Trends may be stable or indicate deterioration in asset quality or an increase in risk exposure. The level and severity of classified assets, other weaknesses, and risks require an elevated level of supervisory concern. There is generally a need to improve credit administration and risk management practices.

[42] The 2025 examination was originally scheduled to be solely performed by the GDBF. However, due to concerns over the bank's financial condition, the FDIC elected to join the GDBF and complete a joint examination.

Program is to identify new or increasing risks, serve as an early warning system for 1-rated and 2-rated institutions, and identify emerging concerns and potential problems so that supervisory strategies can be adjusted as necessary. The guidance notes that if the review indicates that the institution poses a greater risk to the DIF than is indicated by the current composite rating, an interim rating change should be initiated.[43]

In addition, FDIC guidance on lessons learned from post-crisis bank failures explains that RMS evaluated post-crisis failures to identify lessons learned and ways to strengthen RMS' risk-focused programs.[44] It states that while each failure case is unique, common patterns indicate the supervisory approach could have been adjusted earlier to more effectively address increasing and compounding risks. It also states that banks engaging in higher-risk activities and new business lines without the proper controls, infrastructure, and management expertise represent a building of risk that should be addressed proactively in the supervisory process. The FDIC guidance highlights that common risk patterns in post-crisis bank failures include (1) business strategies undertaken with inadequate risk management practices and (2) dominant officials with insufficient compensating controls.

We observed that the presence of supervisory concerns and heightened risk indicators were present as early as June 2024 based on information from FDIC Off-site Review Program reports and separate Uniform Bank Performance Reports (UBPR).[45] These heightened risk indicators for Community Bank & Trust included significant asset growth and increasing past due and non-accrual loans that were materially outside that of peer-review institutions. According to UBPR financial information, Community Bank & Trust was a significant outlier for asset and net loans & leases growth and for past due loans in comparison to peer group institutions and was consistently in the 99$^{th}$ percentile for each. For example, Community Bank & Trust's total asset growth of 60.36 percent was in the 99$^{th}$ percentile as early as June 2024, which was approximately 1,700 percent higher than that of peer banks. In turn, its Net Loans & Leases of 102.83 percent was approximately 1,300 percent higher than peer banks.

[43] The guidance clarifies that the reviewer should not base rating changes solely on the output from early warning system models.
[44] *Lessons Learned From Post-Crisis Bank Failures: Risk Focused, Forward-Looking Supervision Strategies to Target Root Causes of Deficiencies* (2018-025-RMS, October 29, 2018).
[45] The UBPR is an analytical tool created for bank supervisory, examination, and management purposes. In concise format, it shows the impact of management decisions and economic conditions on a bank's performance and balance-sheet composition. The performance and composition data contained in the report can be used as an aid in evaluating the adequacy of earnings, liquidity, capital, asset and liability management, and growth management.

In addition, UBPRs identified that as of December 31, 2024, the bank reported Total Loans & Leases 90+ Days Past Due or Nonaccrual of 13.43 percent whereas peer group institutions had a rate of 0.54 percent. This demonstrated that Community Bank & Trust's reported loan delinquencies were approximately 24 times higher than that of peer institutions. Further, we observed that the FDIC Off-site Review Program models were elevated and showed a high probability of downgrade for the bank (99 percent or higher as of September 30, 2024). Multiple FDIC examination personnel we interviewed confirmed that FDIC off-site monitoring data supported either an earlier supervisory response or that a component downgrade for Asset Quality was warranted. However, during our interviews with FDIC Case Managers they noted that performing interim downgrades was less common since the previous financial crisis and one stated that they had never performed an interim downgrade to a bank's ratings. According to FDIC officials, an off-site downgrade of Asset Quality would be unlikely without any additional on-site transaction testing to substantiate heightened risk indicators.

The FDIC expressed concerns with the quality of the financial information provided by bank management and coordinated with bank management to obtain additional insights and explanations. However, we believe that with the benefit of hindsight and when considering (1) the rapid deterioration of Community Bank & Trust's assets and financial condition and (2) the lack of transparency from its management, that this evidence in association with other key factors warranted an earlier supervisory response and interim downgrade for the Asset Quality component. Specifically, the bank displayed risk patterns common in bank failures prior to the 2025 examination, including its new and aggressive loan growth strategy and dominant bank officials. While an earlier supervisory response and associated downgrade to Asset Quality would likely not have changed the bank's trajectory and failure outcome, an interim downgrade would have more timely informed bank leadership and its Board of the FDIC's supervisory concerns. In response, this could have resulted in earlier corrective actions by the bank.

### Recommendation 2:

We recommend that the **Director, Division of Risk Management Supervision**, review the FDIC's Case Manager and off-site monitoring guidance to determine whether additional emphasis is needed for proactive supervisory action when off-site monitoring program information demonstrates elevated risk, financial deterioration at a bank, and multiple FDIC-identified risk patterns common in bank failures are present and revise guidance as appropriate.

***Classification of Government-Guaranteed Loans***

We observed that FDIC examiners did not consistently subject Community Bank & Trust's Government-guaranteed loans to classification treatment or recommend the bank increase loss reserve amounts for select loans. This inconsistency occurred despite direct observations from examination personnel and evidence of deficiencies in loan origination documentation and in the bank's underwriting that could impair the guaranty. See **Table 2** below for further information.

In May 2023, we reported that FDIC examiners did not classify the guaranteed portion of loans when directly observing that the financial institution did not materially comply with program requirements.[46] We also reported that FDIC examiners did not always recommend that banks appropriately disclose or recognize the off-balance sheet risk for Government-guaranteed loans sold on the secondary market.[47] In response to our report recommendations, the FDIC revised its guidance to provide additional clarification to examiners when assessing concentration risk and considering Government-guaranteed loans for classification purposes. Specifically, the FDIC revised its Risk Management Manual of Examination Policies to provide a general overview of Government-guaranteed loan programs and address examination considerations applicable to any Government-guaranteed loan program.

For example, the guidance states that "if a loan is conditionally guaranteed by the U.S. Government, then consideration should be given to the quality of the institution's underwriting and credit administration, or third-party risk management practices (if applicable), as well as the institution's record of compliance with the agency's regulations and program requirements when assigning the risk rating." It also states that if deficiencies are identified with underwriting, administration, servicing, or other agency program compliance, "the guarantee may be at risk for reduction or denial by the agency, and examiners should consider adversely classifying the full amount."[48] It further states that examiners may evaluate contingent liabilities associated with Government-guaranteed loans for credit risk and, if appropriate, list contingent liabilities for Special Mention or adverse classification.

We recognize that this improved FDIC guidance provides the authority and details the circumstances under which examiners can adversely classify the guaranteed portion of loans.

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[46] OIG Report, *FDIC Examinations of Government-Guaranteed Loans*, (EVAL-23-001) (May 2023).
[47] In accordance with Accounting Standards Codification Topic 326, management must also estimate, as a separate liability account, expected credit losses for off-balance sheet credit exposures not accounted for as insurance, over the contractual period during which the institution is exposed to credit risk.
[48] The FDIC's guidance recognizes that the facts and circumstances of each loan should be considered, as the presence of deficiencies alone is not conclusive evidence that the agency will not honor its guarantee.

However, FDIC examination personnel we interviewed stated that they usually do not classify the guaranteed portion of the loan and that the guaranteed portions are generally given a "Pass" rating and removed from classification considerations. The FDIC's revised guidance did not become effective until April 2024. As a result, we believe that adequate time had not passed to fully integrate these improvements and overall awareness into FDIC examiner disciplines.

**Table 2: Loans Identified in 2025 Report of Examination for Classification**

| Applicable Loan | Government-Guaranteed Administrating Agency | Identified Deficiency | Deficiency Area |
|---|---|---|---|
| (b) (8) (Loan #1) | USDA | Noncompliance with protective advance requirements | Loan Administration |
| (b) (8) (Loan #2) | SBA | Lack of repayment ability | Credit Underwriting |

**Source:** OIG analysis of June 2025 ROE.

During our review of the 2025 ROE and associated examiner workpapers, we determined that FDIC examiners obtained SBA Risk Based Review Reports pertaining to Community Bank & Trust guaranteed lending activities. Within the reports, the SBA communicated to the bank there were material deficiencies identified in the loan origination documentation and associated compliance with program requirements for select loans and that the SBA guarantee may be at risk if not remediated before guaranty purchase was requested.

For **Loan #1**, the 2025 examination report disclosed that the loan was in noncompliance with the Government-guaranteed lending agency's requirements pertaining to prior approval for protective advances. Specifically, the examination report disclosed that the USDA (1) denied $1.1 million in protective advances made by Community Bank & Trust, (2) requested written explanation for why the bank continued to make protective advances and incur liquidation expenses without concurrence after five prior letters to the bank reminding the bank of this requirement, and (3) requested written explanation for advancing approximately $2.8 million of the guaranteed loan proceeds to the borrower after the loan became delinquent. The examination report noted that this evidence supported that there was a high probability of significant loss to the bank on this loan relationship. However, examiners classified the non-guaranteed portion of the loan as "Substandard" and the guaranteed portion of the loan as

"Pass" and recommended that the bank's Board seek further clarification from the USDA on the impact to the guaranty.[49]

For **Loan #2**, the 2025 examination report disclosed material underwriting weaknesses in the origination documentation used to finance a change of ownership transaction in July 2024 in the amount of approximately $2.2 million. Examiner disclosures demonstrated that the borrower lacked repayment ability due to insufficient cash flow to repay the debt. Specifically, examiners disclosed that historic debt service coverage ratios for the prior 3 years were calculated at 0.22x, 0.09x, and (0.08x), respectively, with interim debt service coverage ratios only improving to 0.61x. Examiners also disclosed that borrower revenue projections appeared optimistic based on the historic operating results. In addition, examiners disclosed that the borrower had repayment problems, requiring multiple extensions of interest-only payments and payment deferrals. Examiners concluded that there was no support for the borrower's ability to repay the debt. We determined that the material underwriting deficiencies noted by examiners demonstrated that this loan failed to meet the requirements for the program. However, while examiners classified the unguaranteed portion of the loan as "Substandard" they removed the guaranteed portion of the loan from classification.

Overall, examiners rated the bank's asset quality as a "5" during the 2025 examination and critically deficient based on the level of problem assets and weaknesses in credit underwriting and loan administration. We determined that the observations and deficiencies disclosed by examiners on Community Bank & Trust loans during the June 2025 examination demonstrated clear non-compliance with Federal agency guaranteed loan requirements and warranted adverse classification of these credits in accordance with existing FDIC guidance.

Community Bank & Trust's asset quality was critically deficient due to the level of problem assets and weaknesses in its credit underwriting and loan administration practices.

Adverse classification of loans results in an increase in bank reserves to offset the associated risk of loss. Specifically, banks are required to maintain an ACL that is appropriate to absorb estimated credit losses associated with the loan and lease portfolio. Establishing increased reserves to address identified weaknesses in guaranteed portions of loans and to address off-balance sheet risks presented by contingent liabilities ultimately helps protect the DIF from increased losses in the event of a bank failure.

[49] Examiners also classified accrued interest for this loan as "Loss."

**Recommendation 3:**

We recommend that the **Director, Division of Risk Management Supervision**, reiterate its revised guidance to examination personnel and conduct monitoring efforts to evaluate the consistent application of FDIC loan classification procedures for Government-guaranteed loans.

## Compliance with Prompt Corrective Action

Section 38, Prompt Corrective Action, of the FDI Act establishes a framework of mandatory and discretionary supervisory actions the FDIC must take for insured depository institutions that are not adequately capitalized. The purpose of Section 38 is to resolve problems of insured depository institutions at the least possible cost to the DIF.

On November 21, 2025, consistent with PCA provisions, the FDIC notified Community Bank & Trust that it was "adequately capitalized" as of March 31, 2025 and "undercapitalized" as of June 30, 2025, based upon the results of the June 23, 2025 examination.[50] In response, the FDIC required Community Bank & Trust to submit a written capital restoration plan within 45 days and notified the bank of the associated restrictions for an "undercapitalized" institution over capital distributions, payment of management fees, asset growth, brokered deposits, and interest rate payments.[51] On March 27, 2026, the FDIC notified Community Bank & Trust that it was "critically undercapitalized" based upon the results of the February 9, 2026 visitation. The FDIC also notified the bank of additional PCA prohibitions and that it must cease lending activities, including the origination of any new Government-guaranteed loans.[52] Ultimately, the bank was not able to meet the enforced requirements of PCA or raise additional capital and, on May 1, 2026, the GDBF determined that the bank was impaired and took possession.

[50] FDI Act Section 38, Prompt Corrective Action.
[51] The FDIC issued a Consent Order to Community Bank & Trust on January 12, 2026, requiring corrective actions and communicating restrictions consistent with the PCA provisions.
[52] As described above, the FDIC temporarily waived this restriction on April 3, 2026, at the request of Community Bank & Trust, allowing the bank to complete the origination and funding of an additional 21 loans totaling approximately $48 million.

## FDIC COMMENTS AND OIG EVALUATION

On October 29, 2026, the Director, Division of Risk Management Supervision, provided a written response to a draft of this report, which is presented in its entirety in Appendix 2. In its response, the FDIC concurred with all three recommendations and communicated plans to complete all corrective actions by August 31, 2027. The OIG assessed the FDIC's proposed corrective actions and determined they were sufficient to address the intent of the recommendations. We consider these recommendations to be resolved. The recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in Appendix 3.

Within its response, the FDIC stated that receiving additional information that was not timely provided by the bank would not have impacted its decision to approve a waiver. In addition, the FDIC stated that it disagreed with the OIG's conclusion that the FDIC should have downgraded the bank based on off-site monitoring results. The FDIC maintained that they lacked evidence from an off-site perspective to corroborate management's explanations and therefore determined that the concerns warranted additional review through on-site testing.

While we acknowledge that an interim downgrade would likely not have affected the bank's trajectory or failure, we maintain our position that the FDIC had sufficient evidence between its Off-site Review Program results, UBPR reports, and the bank's reported significant growth in assets and loan delinquencies to support an earlier downgrade for Asset Quality.

# APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY

## Objectives

Our objectives were to (1) determine why Community Bank & Trust's problems resulted in a material loss to the DIF; (2) evaluate the FDIC's supervision of Community Bank & Trust, including the FDIC's implementation of the PCA requirements of Section 38 of the Federal Deposit Insurance Act; and (3) make recommendations for preventing any such loss in the future.

We performed our work from May 2026 through October 2026 in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation.* These standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

## Scope and Methodology

The scope of our review focused on the FDIC's supervision and associated records from 2021 through the bank's failure on May 1, 2026. We assessed critical developments in Community Bank & Trust's history and the FDIC's and other regulatory agency supervisory activities during this timeframe. To accomplish our objectives, we reviewed:

- Relevant FDI Act requirements and FDIC policies, procedures, and guidance, including the RMS *Manual of Examination Policies, Internal Formal and Informal Actions Procedures*, *Case Manager Procedures,* and FDIC Regional Directors Memoranda.
- Bank records, including Board meeting minutes, correspondence, disclosures, relevant legal and regulatory information, external review information, and information related to other significant activities.
- FDIC supervisory and examination documentation located in the Regional Automated Document Distribution and Imaging System.
- Other relevant information, including our previous report, *FDIC Examinations of Government-Guaranteed Loans* and the Government Accountability Office's *Standards for Internal Control in the Federal Government*.

- Relevant State or other Federal Agency examination results and supervisory activities.
- Bank Holding Company Inspection reports and correspondence.
- The FDIC's Failing Bank Case.

Additionally, we interviewed relevant RMS personnel responsible for conducting safety and soundness examinations during the period of our review. We obtained their perspectives on the FDIC's supervisory approach and other examination-related information. We also interviewed individuals from FDIC resolution staff, the GDBF, and Federal Reserve Bank of Atlanta.

We also performed procedures to determine whether the FDIC had complied with relevant PCA provisions in Section 38 of the FDI Act.

## APPENDIX 2: FDIC COMMENTS

FDIC Federal Deposit Insurance Corporation

**MEMORANDUM**

**DATE:** October 29, 2026

**TO:** Matthew W. Simber
Assistant Inspector General for Audits
FDIC Office of Inspector General

**FROM:** Ryan Billingsley
Director, Division of Risk Management Supervision

RYAN BILLINGSLEY Digitally signed by RYAN BILLINGSLEY Date: 2026.10.29 08:34:02 -04'00'

**SUBJECT:** Management Response to the Draft Report – *Material Loss Review of Community Bank & Trust – West Georgia* (No. 2026-006)

The Federal Deposit Insurance Corporation (FDIC) welcomes the opportunity to review and comment on the FDIC Office of Inspector General's (OIG) draft report entitled *Material Loss Review of Community Bank & Trust – West Georgia.*

**General Comments**

The FDIC appreciates the report's recognition of the significant challenges posed by the institution's rapid deterioration and its lack of transparency. We also appreciate the report's recognition of the FDIC's decisive and appropriate supervisory response once the FDIC identified the full scope of the issues, and the steps the FDIC took to strengthen supervisory processes and interagency coordination in connection with government-guaranteed lending activities.

The FDIC respectfully disagrees with certain conclusions in the OIG report but concurs with all three of the report's recommendations as opportunities to strengthen existing processes.

**Finding 1:** *Coordination with Other Federal Agencies*

The FDIC agrees with the OIG report's conclusion that sharing information among relevant government agencies concerning government-guaranteed loans can support effective supervision and improve the efficiency and timeliness of supervisory decision-making. The FDIC is open to identifying process improvements, including clarifying information-sharing protocols, points of contact, documentation practices, and the circumstances under which information should be requested or shared.

However, the OIG report notes that the bank's failure to timely provide the FDIC with an SBA termination letter and a USDA pause letter, before the FDIC considered the bank's request for a

Page **1** of **4**

waiver of lending restrictions, resulted in the FDIC lacking material information when assessing the waiver request and associated risks.

The FDIC disagrees with this conclusion. Although the bank did not timely provide these letters to the FDIC, receiving the letters would not have impacted FDIC's decision to approve the waiver. The FDIC had other relevant information to inform its decision, and denying the waiver would have presented risks and downsides that the FDIC considered.

**Finding 2:** *Application of Off-Site Review Program Requirements*

The FDIC disagrees with the OIG's conclusion that the FDIC should have downgraded the bank based on off-site monitoring results.

Off-site monitoring is an important supervisory tool that can identify trends or risks warranting follow-up. In this case, the FDIC conducted multiple off-site monitoring activities, including discussions with bank management regarding the bank's loan portfolio and increasing past due loan levels. Management provided explanations, noting purchase of a loan portfolio at a significant discount, and technical issues involving third-party loan servicers. The FDIC lacked evidence from an off-site perspective to corroborate management's explanations and therefore determined that the concerns warranted additional review through on-site testing.

Accordingly, the FDIC joined the state for the June 2025 examination. That action provided an appropriate mechanism to evaluate the information identified through the off-site monitoring activities and to determine whether a UFIRS downgrade or other supervisory action was warranted based on the examination findings.

In light of the information available at the time the off-site reviews were conducted, the follow-up through the June 2025 examination, and the subsequent discovery of management's lack of candor and reliability, the FDIC believes that its supervisory response was reasonable. As the OIG acknowledged, an interim downgrade would likely not have affected the bank's trajectory or failure outcome.

**Finding 3:** *Classification of Government-Guaranteed Loans*

The FDIC appreciates the report's recognition of the steps taken to strengthen its supervisory processes related to Government-guaranteed lending activities. We plan to take additional steps, as appropriate, to help ensure these processes operate as intended and to identify opportunities for continued improvement.

**Recommendations**

The FDIC concurs with each of the report's three recommendations. A summary of management's planned and completed corrective actions follows.

**Recommendation 1**: We recommend that the **Director, Risk Management Supervision**, assess and adjust current methods to effectively coordinate with other Federal agencies that administer Government-guaranteed loan programs to facilitate timely information sharing, support proactive identification of risk, inform supervisory responses, and help protect the DIF.

**Management Response**: The FDIC **concurs** with the recommendation to review and, as appropriate, revise processes for sharing information about government-guaranteed loans with other Federal agencies.

The FDIC will evaluate whether existing procedures adequately address coordination and information sharing with other Federal agencies, including the types of information to be shared, the timing and manner of sharing, points of contact, documentation practices, and the circumstances in which information would be relevant to supervisory decision-making. The FDIC will take appropriate action based on the results of its review, which may include revising and communicating changes or re-emphasizing aspects of existing procedures.

**Estimated Completion Date**: April 30, 2027

**Recommendation 2**: We recommend that the **Director, Risk Management Supervision**, review the FDIC's Case Manager and off-site monitoring guidance to determine whether additional emphasis is needed for proactive supervisory action when off-site monitoring program information demonstrates elevated risk, financial deterioration at a bank, and multiple FDIC-identified risk patterns common in bank failures are present and revise guidance as appropriate.

**Management Response**: The FDIC **concurs** with the recommendation to review and emphasize, as appropriate, the process for evaluating and responding to off-site monitoring results. Specifically, the FDIC will review applicable guidance and take appropriate action based on its review (e.g., revise and communicate changes or reiterate current procedures).

**Estimated Completion Date**: July 30, 2027

**Recommendation 3**: We recommend that the **Director, Risk Management Supervision**, reiterate its revised guidance to examination personnel and conduct monitoring efforts to evaluate the consistent application of FDIC loan classification procedures for Government-guaranteed loans.

**Management Response**: The FDIC **concurs** with the recommendation to reiterate and monitor the applicable loan-classification process. The FDIC will reiterate its revised guidance to examination

personnel and conduct an internal review of completed examination files for institutions participating in Government Guaranteed Lending programs to assess compliance with applicable guidance. The FDIC will consider final action complete for purposes of this recommendation upon issuance of the internal review report containing the results and any potential internal recommendations.

**Estimated Completion Date**: August 31, 2027

Thank you for your efforts and if you have any questions or need additional follow-up information, please do not hesitate to contact me.

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## APPENDIX 3: SUMMARY OF THE FDIC'S CORRECTIVE ACTIONS

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

| Rec. No. | Corrective Action: Taken or Planned | Expected Completion Date | Monetary Benefits | Resolved:[a] Yes or No | Open or Closed[b] |
|---|---|---|---|---|---|
| 1 | RMS will evaluate whether existing procedures adequately address coordination and information sharing with other Federal agencies, including the types of information to be shared, the timing and manner of sharing, points of contact, documentation practices, and circumstances in which information would be relevant to supervisory decision-making. The FDIC will take appropriate action based on the results of its review. | April 30, 2027 | $0 | Yes | Open |
| 2 | RMS will review applicable guidance and take appropriate action based on its review (e.g., revise and communicate changes or reiterate current procedures). | July 30, 2027 | $0 | Yes | Open |
| 3 | RMS will reiterate its revised guidance to examination personnel and conduct an internal review of completed examination files for institutions participating in Government Guaranteed Lending programs to assess compliance with applicable guidance. RMS will consider final action complete for purposes of this recommendation upon issuance of the internal review report. | August 31, 2027 | $0 | Yes | Open |

Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.
2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.
3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount, and the OIG agrees with that amount.

[b] Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.

## APPENDIX 4: ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| ACL | Allowance for Credit Losses |
| CAMELS | Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk |
| CBI | Community Bankshares Inc. |
| CEO | Chief Executive Officer |
| DIF | Deposit Insurance Fund |
| FDIC | Federal Deposit Insurance Corporation |
| GCL | Greater Commercial Lending |
| GDBF | Georgia Department of Banking & Finance |
| GGL | Government-Guaranteed Lending |
| MOU | Memorandum of Understanding |
| MRA | Matters Requiring Attention |
| MRBA | Matters Requiring Board Attention |
| OIG | Office of Inspector General |
| PCA | Prompt Corrective Action |
| RMS | Division of Risk Management Supervision |
| ROE | Report of Examination |
| SBA | Small Business Administration |
| UBPR | Uniform Bank Performance Report |
| USDA | United States Department of Agriculture |




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The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our Hotline or call 1-800-964-FDIC.

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