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June 4, 2010

Federal Deposit Insurance Corporation 550 17th Street, NW Washington DC 20429

Re: Templates for Safe, Low-Cost Transactional and Basic Savings Accounts

Dear Sir or Madam:

The Independent Community Bankers of America¹ (ICBA) appreciates the opportunity to comment on templates describing potential features for safe, low-cost transactional and savings account products for low and moderate income (LMI) consumers.

ICBA supports the FDIC's efforts and interest in increasing the availability of safe and affordable transactional and savings products to LMI consumers. Clearly, there is a need for low cost accounts as demonstrated in the recent FDIC survey showing at least one-quarter of U.S. households either lack a bank account or use non-bank providers for some financial services.² ICBA welcomes the opportunity to work with the FDIC to help community banks meet this demand in a safe and sound way by further refining the templates. However, please note that individual banks should be able to adapt the templates to their particular market and business plan. This will allow banks to develop affordable transactional and savings products for LMI customers that are both reasonably priced and economically feasible.

Community banks traditionally have deep ties to their customers and the communities they serve and currently offer low cost transactional and savings

¹ The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an everchanging marketplace. With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

² FDIC's National Survey of Unbanked and Underbanked Households, available at

<http://www.fdic.gov/householdsurvey/>.

INDEPENDENT COMMUNITY BANKERS of AMERICA *The Nation's Voice for Community Banks®*

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accounts when appropriate and economically practical. Although not offered as special LMI customer accounts, community banks offer accounts with low or no monthly minimum balance requirements, service charges or maintenance fees as well as low opening balance deposit requirements. ICBA members also offer withdrawals, electronic banking and deposits received via direct deposit for no fee. Additionally, community banks often link checking accounts to a savings account or lines of credit that allow consumers to access needed funds at minimal fees.

With these low cost options currently available, ICBA encourages the FDIC to explore ways to overcome the barriers to use low-cost transactional and basic savings accounts by unbanked or underbanked households. The recent FDIC survey stated that “for more than one-third (37.1 percent) of never-banked households, not having enough money to need an account was one of the reasons the household never opened an account.”³ Another common reason was “...not writing enough checks to make it make it worthwhile to have an account (17.9 percent).”⁴ The suggested templates would not address these concerns, and ICBA suggests exploring alternatives such as additional financial literacy programs that promote the benefits of saving, accumulating assets and building wealth over time.

Summary of Sample Templates

The Federal Deposit Insurance Corporation (FDIC) proposed criteria for transactional and basic savings account templates to encourage insured financial institutions to make safe, low-cost transactional and basic savings account products more widely available to LMI consumers.

The guiding principles in developing these templates are that these financial products have low and transparent fees, are simple to use, include easily understandable terms and conditions, are FDIC-insured and subject to consumer protection laws, and represent sustainable product offerings for financial institutions.

The transactional account template is for an insured transactional account that is structured as a low-fee, basic checking account or insured account-based debit card. The proposed basic savings account template is an insured account that encourages systematic or automatic deposits, provides liquidity needed for coping with unexpected events, and does not penalize accountholders when withdrawals are made.

ICBA Comments

The elements covered in the template, including opening and monthly minimum balance deposit requirements, maintenance fees or service charges, and

³ Id. at pg. 20.

⁴ Id. at pg. 25.

overdraft or insufficient fund charges, generally identify the appropriate features to consider when expanding the availability of safe, low cost transactional and savings products to LMI consumers. However, the thresholds set in the proposed template are generally too low to cover the basic operating costs of offering these accounts, especially considering various regulatory requirements. Banks must perform risk assessments on open accounts, identify money laundering and Bank Secrecy Act risks, know and verify the true identity of each customer as well as send annual privacy notices, periodic statements, and account opening disclosures. These operational costs continue to increase, adding to the expense of maintaining low balance accounts. As a result, setting low/no maintenance fees or service charges creates a product that makes it very difficult to sustain a profit or recover costs.

ICBA suggests that an appropriate monthly fee to maintain a low-balance account should be approximately five to ten dollars. This would offset some of the operational costs necessary to maintain these types of accounts including processing and cashing checks, distributing consumer disclosure requirements, and processing electronic transactions.

If checks are permitted with these types of accounts, there should be a suggested maximum number of ten checks that can be presented per statement cycle. In lieu of check writing privileges, ICBA suggests accounts with debit card access to reduce processing costs. There are underlying operational costs in maintaining a transaction account with check-writing privileges, which include the costs of processing and cashing checks, processing checks presented on accounts with insufficient funds, placing stop payments on checks, and deposited items being returned. Providing debit card services would reduce these underlying costs and benefit the LMI consumer.

Overdrafts and NSF Fees

In its sample template, the FDIC proposes to prohibit overdrafts and to prohibit NSF fees from being assessed by the financial institution. In lieu of that, the FDIC suggests linking a checking account to a savings account or line of credit for a low fee to cover overdrafts.

Overdraft services are a great convenience to bank customers, particularly to cover important transactions and bills. Most consumers appreciate the service, as it helps them avoid the inconvenience of merchant fees for returned checks and enables them to purchase goods and services at POS locations without the fear of declined transactions. Requiring financial institutions to abandon overdraft services entirely and simply return or reject any transaction that would overdraw an account would create additional problems for LMI consumers. Consumers would have to contend with additional merchant fees, a negative entry on a credit report or check verification system, and merchants requiring cash only. Consumers would also endure the embarrassment suffered when a transaction is rejected and a tainted reputation for making payments, which can be especially harmful in today's troubled economic environment.

Additionally, prohibiting banks from charging NSF fees would be financially challenging because the costs associated with overdrawn accounts can be steep and many financial institutions may abandon check writing services for these types of accounts altogether and simply provide low cost savings accounts. When an account overdraws, banks must still process the item, which incurs labor and overhead costs.

Thank you for the opportunity to comment. ICBA looks forward to working with the FDIC to address the barriers to expanding low-cost transactional and savings account products for low and moderate income (LMI) consumers. If you have any questions or would like additional information, please contact me at Lilly.Thomas@icba.org or (202) 659-8111.

Sincerely,

Lilly Thomas Vice President and Regulatory Counsel