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April 30, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Comments@FDIC.gov

Re: Annual Stress Test (RIN 3064-AD91)

Ladies and Gentlemen:

United Services Automobile Association (USAA) is pleased to provide our comments with respect to the Federal Deposit Insurance Corporation (FDIC) Proposed Rule with Request for Comment¹ (the FDIC Proposed Rule) related to insured depository institution annual stress testing.

USAA is a membership-based association, which together with its family of companies, serves present and former commissioned and noncommissioned U.S. military officers, enlisted personnel, retired military, and their families. Since USAA's inception in 1922 by a group of U.S. Army officers, we have pursued a mission of facilitating the financial security of our members and their families by providing a full range of highly competitive financial products and services, including personal lines of insurance, retail banking, and investment products. Our core values of service, honesty, loyalty, and integrity have enabled us to perform consistently and be a source of stability for our members, even in the midst of the unprecedented financial crisis of recent years.

USAA Federal Savings Bank (FSB), an indirect wholly owned subsidiary of USAA, is a federally chartered savings association organized to offer personal retail banking services. FSB was chartered in 1983, and is USAA's only savings association. USAA is, therefore, a grandfathered unitary savings and loan holding company. USAA Savings Bank (USB), an indirect wholly owned subsidiary of USAA, is a Nevada corporation licensed to operate as a Nevada thrift company, FDIC-insured and organized primarily to issue credit cards to USAA members.

In this letter, we urge the FDIC to (1) issue consistent and comparable regulations with the other agencies; (2) permit stress testing and reporting on a consolidated basis; (3) limit the amount of required public disclosure; (4) allow day-to-day operational issues to be the responsibility of management, not the board of directors; and (5) allow flexibility with respect to the timing of stress testing.

¹ Annual Stress Test, 77 Fed. Reg. 3166 (January 23, 2012).

A. Issue consistent and comparable regulations with the other agencies.

The primary Federal financial regulatory agencies for USAA's depository institution subsidiaries, FSB and USB, are, respectively, the Office of the Comptroller of the Currency (the OCC) and the FDIC. The OCC has published a separate proposed rulemaking concerning application of the annual stress testing requirements.² The FDIC Proposed Rule provides that each state chartered depository institution that has more than \$10 billion in total consolidated assets (a "covered institution") must complete an annual stress test. The proposed rule published by the OCC defines covered institution in the same fashion. Both USAA depository institution subsidiaries, therefore, will be required to conduct annual stress tests and report test results to their primary Federal financial regulatory agencies.

The annual stress test requirements addressed in the FDIC Proposed Rule and in the OCC's separate rulemaking are stated in Section 162(i)(2) of the Dodd-Frank Act. Subsection (C) of Section 162(i)(2) provides that the primary Federal financial regulatory agencies are to issue "*consistent and comparable*" regulations to implement the requirements. Although the stress test regulations proposed by the FDIC and the OCC are similar, there are significant differences between the two proposals that will render these regulations inconsistent. We strongly encourage the FDIC to work with the OCC to publish identical final rules implementing the annual stress testing requirements, thereby ensuring that the final regulations are consistent and comparable.

B. Permit stress testing and reporting on a consolidated basis.

USB is a subsidiary of FSB. Under the FDIC Proposed Rule and the OCC proposed rulemaking, USB and FSB would be required to perform their own individual stress tests. We submit that when a covered institution is controlled by another covered institution, or two covered institutions are commonly-controlled, such institutions should be permitted to conduct stress test exercises as a consolidated group and report the results on a consolidated basis. Section 1815(e) of the Federal Deposit Insurance Act permits the FDIC to hold a depository institution liable for losses incurred by the FDIC as a result of the failure of a commonly controlled depository institution. In other words, if USB became insolvent, FSB could be made responsible for resulting losses to the FDIC insurance fund. Therefore, permitting one consolidated stress test in situations involving parent and subsidiary, or other commonly-controlled covered institutions, would produce results that more accurately reflect how the institutions would perform under the provided stress scenarios. Additionally, permitting such consolidated stress testing would provide commonly controlled covered institutions and their parent companies with compliance alternatives, thus enabling those institutions and companies to choose the most effective and economically efficient methods to comply with the annual stress testing and reporting requirements.

²Annual Stress Test, 77 F.R. 3408 (January 24, 2012).

C. Limit the amount of public disclosure required.

The Dodd-Frank Act mandate for public disclosure of the results of annual stress tests is very general. The statute simply states that each primary Federal financial regulatory agency shall require companies subject to stress testing to publish a summary of the results of the required stress tests.³ We believe the general nature of this statutory requirement is an acknowledgment that any public disclosure of depository institution stress test results creates the potential for unintended and unwarranted loss of consumer or marketplace confidence in particular covered institutions or in the nation's financial system generally. Further, it is an acknowledgment that the FDIC and other primary Federal financial regulatory agencies are in the best position to prudently define the nature and extent of such disclosure. We urge the FDIC to require only the level of detail necessary to further the policy purpose as appropriate for the public disclosure.

The stress testing requirements are new and untested. At least initially, we expect covered institutions and their primary Federal regulatory agencies will engage in an iterative process of performing the stress testing exercise, reviewing the test results, adjusting the testing methodologies and retesting so that accurate and meaningful test results are produced. Covered institutions and their primary Federal regulatory agencies also will need to ensure the methodologies and practices used to conduct the stress tests are consistent so that even when general information about the stress test results is published by a covered institution, that information is comparable to stress test results information published by other institutions. Public disclosure of such results should be very high level in nature at the outset. With experience and, perhaps more importantly, general public familiarity with depository institution stress testing initiatives, the public disclosure could be expanded over time.

Additionally, we believe it is essential that the primary Federal financial agencies be consistent as to what must be publicly disclosed. If the content of the required disclosure varies among covered institutions because the requirements imposed by the agencies are not consistent, the information disclosed could be misconstrued by the media or other third parties trying to piece together the various disclosures. We note that the public disclosure requirements in the FDIC Proposed Rule are more detailed than the requirements proposed by the OCC in its proposed rulemaking, and we urge the agencies to work together to produce consistent public disclosure requirements.

D. Allow flexibility for when covered institutions can perform the stress testing.

The FDIC Proposed Rule provides that the annual stress test is to be based on data as of September 30, and requires submission of stress test results to the FDIC on or before January 5 of the following year. However, in explaining the FDIC Proposed Rule, the FDIC states that the sets of economic and financial conditions ("scenarios") to be utilized by the covered institution to perform stress testing will be provided by the FDIC no later than mid-November. If the scenarios are provided in November, the covered institution will have only two months to execute the stress tests, validate results, socialize with senior management and the board of directors, prepare action plans, and document the results in the required report to the FDIC.

³ 12 U.S.C. 5365(i)(2)(C)(iv).

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Requiring the testing and reporting to take place during the fourth quarter of the year also is likely to strain the resources of most institutions. Moreover, the fourth quarter timing may make it very difficult for covered institutions to make modifications to institution strategic and operational plans for the following year that address any issues identified in the test results. We recommend that the timing for performing the stress testing and reporting results be lengthened and that covered institutions be permitted to choose when during the year they will conduct the stress testing and reporting exercise. At a minimum, the scenarios should be provided to covered institutions not later than September 30.

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We appreciate the FDIC's consideration of our comments. Should you have any questions or wish further clarification or discussion of our points, please contact Deneen Donnley, USAA Federal Savings Bank General Counsel, at 210-456-3430.

Sincerely,



Steven Alan Bennett
Executive Vice President
General Counsel & Corporate Secretary