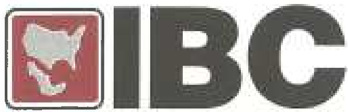

International Bancshares
Corporation

January 4, 2019

***Via Email: comments@fdic.gov***

Mr. Manny Cabeza
Counsel, MB-3007
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: OMB Control Number 3064-0167; Comments to Agency Information Collection Activities: Proposed Revision of Information Collection; National Survey of Unbanked and Underbanked Households; Comment Request (3064-0167)

Ladies and Gentlemen:

The following comments are submitted on behalf of International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC owns five state nonmember banks serving Texas and Oklahoma. With approximately $12 billion in total consolidated assets, IBC is one of the largest independent commercial bank holding companies headquartered in Texas. IBC is a publicly-traded holding company. The FDIC's survey of unbanked and underbanked households is very important to IBC as many of its branch offices are located in small and rural communities, including along the Texas-Mexico border. We appreciate the opportunity to comment on the FDIC's proposal.

In connection with its planned sixth National Survey of Unbanked and Underbanked Households ("FDIC Survey"), the FDIC on November 6, 2018, requested public comment on the survey's parameters, including whether changes to the existing instrument are desirable and, if so, to what extent. The FDIC Survey is also a key component of the FDIC's efforts to comply with a Congressional mandate contained in section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Pub. L. 109-173), which calls for the FDIC to conduct ongoing surveys "on efforts by insured depository institutions to bring those individuals and families who have rarely, if ever, held a checking account, a savings account or other type of transaction or check cashing account at an insured depository into the conventional finance system."[1]

Comments

We support the FDIC's annual efforts to identify the unbanked and underbanked in the United States.

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[1] Section 7 further instructs the FDIC to consider several factors in its conduct of the surveys, including: (1) "What cultural, language and identification issues as well as transaction costs appear to most prevent `unbanked' individuals from establishing conventional accounts"; and (2) "what is a fair estimate of the size and worth of the "unbanked" market in the United States."



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In 2017, 6.5 percent of U.S. households were "unbanked," meaning that no one in the household had a checking or savings account.[2] An additional 18.7 percent of U.S. households were "underbanked" in 2017, meaning that the household had an account at an insured institution but also obtained financial products or services outside of the banking system.[3] The survey further showed that the proportion of U.S. households that are unbanked varies considerably among different racial and ethnic groups, with certain minorities more likely to be unbanked than the population as a whole.[4]

While the numbers of unbanked and underbanked have been falling in recent years, we believe the FDIC and other Federal bank regulators can do more to further reduce the percentage of unbanked and underbanked in this country. More specifically, we note that these unbanked consumers are forced to turn to alternative programs which are significantly more expensive than current bank product and services fees. Typically, the unbanked consumer turns to check cashers to cash their paychecks. Then, they use the cash to purchase money orders or pay bills, such as rent and utilities. The balance of the cash may be carried around, leaving the consumer vulnerable to crime.

Many community banks are located in small and rural areas, including low-to-moderate income ("LMI") areas, where there are less banking options available to consumers. Unfortunately, community bank resources have been greatly strained since the passage of the Dodd-Frank Act in 2010 and the numerous new regulations required by it. The costs associated with complying with these additional regulatory burdens have further challenged the income levels of community banks that are already dwindling due to the significant reductions in income related to restrictions on interchange fees and overdraft courtesy fees as a result of Dodd-Frank. Ironically, much of the new regulatory burden is directed at "fixing" the problems that led to the 2008 financial crisis, which are problems that the community banks did not create. Community banks have been overwhelmed with the ongoing barrage of increased regulatory burdens.[5] The vast majority of community banks in this country have neither the human nor financial resources to deploy toward compliance with Dodd-Frank. The increased regulatory burden has caused a very significant percentage of the community banks in our nation to go out of business.

The credit provided by community banks is the lifeblood of our local communities and the economies of those communities will continue to suffer if the community banking industry is continued to be unduly burdened.

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[2] 2017 FDIC National Survey of Unbanked and Underbanked Households, https://www.fdic.gov/householdsurvey/.

[3] *Id.*

[4] *Id.*

[5] These regulations include, but are not limited to, interchange fee caps; stress testing; ability to repay (Reg. Z); residential mortgage loan risk retention; foreign remittances; overdraft protection; non-resident alien deposit interest reporting; alternatives for credit ratings for debt and securitization positions; FinCEN Due Diligence; integrated Reg. Z and Reg. X mortgage loan disclosures; appraisals for higher-cost loans; high-cost mortgage and homeownership counseling amendments to Regs X and Z; mortgage loan originator compensation; arbitration clauses; and the Equal Credit Opportunity Act (Reg. B) amendments.

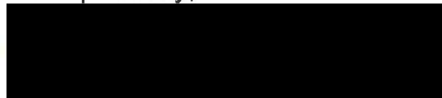
Additionally, the misguided Durbin amendment's restrictions on interchange fees, which became effective in October 2012, have not resulted in lower fees passed along by merchants to consumers. Cash discounting is not being offered for non-plastic payments now. The Federal Reserve's final interchange cap rule did nothing to assist consumers. Instead, it redistributed business earnings from financial institutions that incur the costs to issue debit cards, intermediate debit card transactions, carry the fraud risks, and float the consumers' purchases to merchants who gain additional profits on the sale of goods and services. The interchange income indirectly contributes to the bank's ability to offer an array of products at numerous retail branches. Unfortunately, the interchange cap has resulted in banks' income being negatively impacted. This has led many banks to reduce or eliminate previously free banking products and services and lending in general as banks have struggled to recoup the decreased fees previously earned and utilized by banks to subsidize many free banking products and services. Many financial institutions have already implemented monthly service changes, minimum balance requirements, and other fees to offset revenue losses recently. A similar development occurred with passage of the CARD Act in 2009 which placed new limits on credit card pricing resulting in unintended consequences for consumers. Such new limits led to increased interest rates and higher annual fees to offset those restrictions. These unintended consequences of the Durbin amendment and the CARD Act, should serve as an example to the FDIC and other federal bank regulators that price controls on banking services and products are ultimately damaging to consumers.

Also, the Federal regulatory restrictions on the ability of banks to charge overdraft protection fees has negatively affected the ability of community banks to compete and, more importantly, offer "free" banking products and services. We note that if a consumer has been fully informed by a bank of the applicable overdraft fee amounts and the availability of alternatives to overdraft protection programs, the consumer is in a very good position to make a voluntary and well-informed decision as to whether to participate in a bank's overdraft protection program without the regulators' unnecessary interference. We believe that many consumers actually find overdraft protection programs to be a convenient and needed banking service.

The application of additional regulatory burden on community banks increases the likelihood that a significant number of community banks will continue to close due to the combined impact of the crushing regulatory burden of Dodd-Frank, the reduction in the interchange and overdraft fees and the increasing pressures to raise capital. The closing of a community bank in LMI communities, where there are a limited number of banking institutions, increases the likelihood that the LMI and minority residents of those communities will be forced to turn to high-priced alternative financial services for their banking needs.

Thank you for your consideration.

Respectfully,



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