From: Anonymous
Sent: Monday, February 07, 2011 3:59 PM
To: Comments
Subject: Subject Line: RN#_____ (Part 330—Deposit Insurance Education)

Ladies and Gentlemen:

Regarding the FDIC's Notice of Proposed Rulemaking on Required Banker Training on Deposit Insurance Coverage, RN # _____ (unspecified by the FDIC, but concerning Part 330, Deposit Insurance Education):

I completely reject the FDIC's proposal. The FDIC has no authority to require for-profit entities, such as financial institutions, to spend millions of dollars training their associates on the FDIC's ever-changing rules. The expenses for institutions complying with this rule would include expenses related to paying their employees for their time spent to take the FDIC training course (some 2 hours per year, per employee), and the expense of implementing a permanent compliance program to monitor employees' successful completion of the course.

The FDIC makes the following statement which I find literally unbelievable: "The FDIC believes the implementation of this rule would not impose a significant regulatory burden on the industry. The proposed rule is circumscribed and modest in its requirements." I wholeheartedly disagree. Any new invention of a training requirement imposes a significant regulatory burden.

The FDIC laments, in its proposal, that "The FDIC receives tens of thousands of telephone calls, emails and correspondence annually from depositors and IDI employees seeking information and advice about FDIC deposit insurance coverage," yet the FDIC fails to mention that it has revised its deposit insurance coverage limits repeatedly and needlessly throughout recent years. For instance, the FDIC warned institutions to notify IOLTA accountholders (attorneys and law firms) that their accounts were NOT covered by the so-called "temporary account guarantee program" aka TAG program or TAGP, and to do so by 12/31/10. Then, in late January 2011, weeks after the deadline had passed, the FDIC reversed its position and advised institutions not to send the notifications (mind you, the deadline for sending them was long gone by that point). The FDIC further advised that if an institution had already sent a notification, it need not inform its customers of the revision resulting in unlimited coverage. These kinds of Byzantine, unfortunate, illogical, and untimely maneuverings by the FDIC are causing the confusion – not bank employee's level of understanding about the basic coverage rules. The FDIC fails to inform readers of the total number of financial institution employees in the country, or the total number of FDIC-insured depositors – two very important numbers which would put the FDIC's claim of "tens of thousands" of inquiries into perspective. The FDIC also fails to provide the percentage of such phone calls that concerned depository institutions that the FDIC itself closed. The surviving institutions should not be forced to take on additional training duties regarding the confusion and chaos created when the FDIC chose to close those hundreds of institutions in 2009-2010.

While the FDIC will no doubt tout the proposal's alleged benefit to the depositor, it fails to provide, in its request for comments, details about just how many consumers lost exactly how much money in what the FDIC claims were "unnecessary financial losses." Before proceeding, the FDIC should be required to publicize these details.

The FDIC's proposal, that it would author an online training program and then require the employees of institutions to complete the course, is absurd. This is not within the FDIC's power to require each financial institution employee to spend two hours annually in completing training required solely by the FDIC. While the FDIC theoretically limits the scope to "employees with the authority to open deposit accounts and/or respond to customer questions about FDIC deposit insurance coverage," in actual fact this will encompass practically every single employee of every single depository institution. After all, no matter what a person's title or job duty, conceivably, all employees of all institutions could receive and respond to customer questions about insurance coverage.

In its proposal, the FDIC is employing a worthless mode of logic: namely, claiming that ringing a bell in a field keeps away elephants. The old story goes, "A farmer finds his neighbor standing in a field, ringing a bell. After watching him for a while, the farmer asks what he is doing. The neighbor replies that he is ringing the bell to keep away elephants. When the farmer exclaims that there are no elephants around here, the neighbor smiles and says, 'See? It's working!'" Similarly, the FDIC will claim that imposing millions of dollars of training expenses on the industry will save certain unspecified, mysteriously unknowable customers, from loss, and will serve to educate them. As the economic crisis abates and fewer closures happen, the FDIC will happily tout the success of its training requirements, essentially stating, 'See? We're getting less deposit insurance coverage questions now, so this training requirement is working.' Further, the FDIC is trying to put respondents who wish to comment in the position of proving a negative, which is almost impossible. The FDIC claims, "This program will help customers," and demands that we prove that to be untrue, or otherwise it will proceed with its plan. As we all know, you can't prove a negative. They are basically asking us to prove that ringing the bell does NOT keep elephants away.

While I totally reject the FDIC's proposal, I understand it as a given that the FDIC will both a) claim that consumers wholeheartedly support the proposal, and b) proceed with the proposal in substantially unchanged form. As a recent historical reference, see the FDIC's misguided actions in 2010 regarding its latest batch of Overdraft Guidance – roundly bashed and opposed by financial institutions, industry insiders, reports, and CONSUMERS, many of whom recognize that consumers will ultimately suffer from the FDIC-imposed changes – yet the FDIC claims consumers support the half-baked idea and demand that it be implemented post-haste. At any rate, readers should know that the only reason I am making

suggestions herein as to modifications for the proposal is that I know the FDIC will in fact proceed with its proposal, because it does not listen to comments received. Suggestions for improvement:

1. LENGTH. Shorten the training course time from "less than 2 hours" to "less than 20 minutes." This is more than adequate time to cover the basics about coverage categories, limits, and how to do the math, and to provide EDIE's web address – which is all any consumer or institution employee actually needs.

2. EDIE. Remove the online training requirement and instead require all institution employees to be provided EDIE's web address.

3. DEADLINE. Provide 365 days, instead of 60 days, for current employees to take the course. As-is, the FDIC's proposal means that an institution with 250 employees will need to devote some 500 hours of training for those employees (at two hours per employee, times 250 employees) within 60 days of the effective date. 60 calendar days translates into roughly 44 business days, consisting of only 352 work hours per employee. Institutions have more than enough to occupy them, with the never-ending pace of regulatory change and reform, and the impending havoc to be wreaked by the CFPB, without having to devote any amount of training time, not even "less than 1% of overall work hours available," to this no-brainer course material. Any idiot at any financial institution knows how to calculate insurance coverage. I suspect that the calls FDIC receives are for more complicated questions involving trusts, beneficiaries, and brokered deposits, and are primarily regarding failed institutions.

4. VOLUNTARY. The FDIC's proposal states that it already provides multiple, cost-free training resources on deposit insurance rules to the industry, for use on a voluntary basis. I suggest that any training requirement the FDIC implements be made 100% voluntary.

5. INQUIRIES. The FDIC ridiculously proposes that "the employee opening the account
must inquire as to the existence of other deposit accounts at the same IDI and whether the aggregated account balance exceeds the SMDIA, currently $250,000." This is absurd. The information is ALREADY known to the employee at the time of account opening.

6. BROCHURES. The FDIC proposes that those customers responding in the affirmative be provided with a brochure. Wouldn't it be much simpler to just require the institution to provide the lengthy, confusing disclosure to all consumers? Or better yet, withdraw all aspects of this proposal and instead simply require institutions to publish EDIE's web address in their disclosures, with plain language, like this: "If your deposits at this institution total more than $250,000, you should be familiar with FDIC insurance coverage limits and the ways to maximize your insurance coverage. See www.fdic.gov/edie for more information, or contact an employee today."

7. ANNUAL TRAINING. The FDIC training need not be repeated annually. Once an employee learns the rules (assuming the FDIC

will quit changing the rules), there is no need to ever repeat the training. The annual requirement should change to a biennial requirement, or better yet, to a requirement to repeat the training every 5 years. As a matter of fact, I had substantially similar training 10 years ago, and I still remember it well. The training never needs repeating.

8. NEW ACCOUNTS. It would be ridiculous to ask the same customer the same coverage question, and provide the same brochure, each time an account is opened. The requirement to offer it for every new "account" should be changed to offer it to every new "customer." Customers need not be provided the same brochure over and over again.

9. RECORDKEEPING. The statement in the press release of 2/7/11 is highly unfair and deceptive, in that it claims there will be "no recordkeeping required of the financial institution." Without recordkeeping and tracking, how could any financial institution know whether its hundreds of employees had completed the course, and had done so in a timely manner? Further, while not imposing a requirement for the institution to maintain these records, the FDIC most graciously offers to keep these essential training records on behalf of the institutions. The time when this will be an extreme hazard is during FDIC examinations of financial institutions, at which time FDIC examiners will have access to these records and will criticize the bank for employee omissions and timing problems (i.e., you have 45 customer service reps, and only 44 took the course, or you had one rep who took the course on day 61 instead of day 60, therefore, you failed to comply with Part 330, Deposit Insurance Education).

Responses to specific questions posed by the FDIC:

A. Does the proposed rule strike the right balance between meeting depositors' need for accurate deposit insurance information and the potential cost to and regulatory burden on IDIs?

No. It obviously does not strike any sort of balance, for the reasons outlined herein.

B. Is the scope of the proposed rule appropriate? In its present form, the rule would require training for all IDI employees with authority to open accounts and/or respond to customers' inquiries on deposit insurance coverage. Should the training extend to all IDI employees who work in bank retail offices, not just the employees with these specific responsibilities?

No. The rule should be withdrawn. If the FDIC refuses to withdraw it, the scope should be determined by the institution, not the FDIC. One way an institution could cope with this requirement, while mitigating risk and decreasing expenses, is to inform all tellers and back-office staff not to "respond to customer questions

about FDIC deposit insurance coverage" but instead to refer such questions directly to the associates identified by the institution, such as customer service reps and managers, who will receive the training. For instance, at a 250-employee institution, this would change the requirement from one affecting 250 employees to one affecting about 50.

C. The rule would require IDI employees to inquire whether the customer has an ownership interest in any other deposit accounts at the IDI and, if so, whether the customer's total ownership interest in deposit accounts, including the new account, exceeds the Standard Maximum Deposit Insurance Amount. Should the inquiry only apply to aggregated deposits that exceed the SMDIA of $250,000 or to aggregated deposits that may approach the SMDIA? And if so, what dollar amount or percentage of the SMDIA should trigger the obligation to provide depositors with the FDIC's Deposit Insurance Summary publication?

Neither. Publishing EDIE's web address online and in disclosures is more than sufficient. If the FDIC insists on proceeding with a dollar amount trigger, the trigger should be a single account-opening deposit of over $250,000.

D. In addition to requiring IDIs to make EDIE available on their websites, should the FDIC require IDIs to maintain, in their retail office lobbies, a dedicated computer terminal containing the EDIE application, which all customers could use on their own, or with assistance from IDI employees, to generate reports on the customer's deposit insurance coverage?

No. That suggestion is so absurd that I am left speechless. Financial institutions are not public libraries. The FDIC is hinting that it could cost the industry BILLIONS of dollars in providing "dedicated" (single-use) computer terminals – and rest assured, any such expense would be passed right along to the customers.

E. In addition to requiring IDIs to provide the FDIC's Deposit Insurance Summary publication to depositors whose combined deposits at the IDI exceed the SMDIA, should IDIs be required to make this publication available in their retail office lobbies so all depositors have access to this important information?

No. This requirement is already voluntary, and the publication is already readily publicly available.

F. Should the CBI software program include a feature that would

allow IDIs to
confirm that training has been completed by covered employees?

The proposal should be withdrawn. Failing that, then obviously the FDIC would have to allow institutions to know whether their employees had completed the training.

A comment on the Regulatory Flexibility Act: The FDIC incorrectly asserts “Pursuant to section 605(b) of the RFA, the FDIC certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities.” Because these training requirements – 2 hours per employee, per institution – would cause institution expenses at entities of all sizes, the proposed rule does indeed have a significant economic impact on a substantial number of small entities.

For these reasons, I wholeheartedly reject the FDIC’s proposal and assert that it should be withdrawn.

Anonymous