USAA®
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November 21, 2011

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

Re: ***Resolution Plans Required for Insured Depository Institutions With $50 Billion or More in Total Assets (RIN 3064–AD59)***

Ladies and Gentlemen:

United Services Automobile Association (USAA) is pleased to provide our comments with respect to the Federal Deposit Insurance Corporation (FDIC) Interim Final Rule[1] (the "Rule") related to resolution plans required for insured depository institutions with $50 billion or more in assets.

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.

In this letter, we submit the following points:

- The FDIC should avoid a $50 billion total asset test for requiring resolution plans for savings association subsidiaries of savings and loan holding companies.

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[1] Resolution Plans Required for Insured Depository Institutions With $50 Billion or More in Total Assets, 76 Fed. Reg. 58379 (September 21, 2011).

- Imposition of the Rule has a uniquely burdensome impact on USAA and FSB.

- The burden of preparing resolution plans on depository institutions is significant and likely in excess of the published estimate.

A. The FDIC should avoid a $50 billion total asset test for requiring resolution plans for savings association subsidiaries of savings and loan holding companies.

The Rule sets forth a $50 billion total asset test for requiring depository institutions to submit resolution plans. This bright-line total asset test is challenging to implement for a savings association subsidiary of a savings and loan holding company. The Rule should impose the resolution plan requirements on a savings association subsidiary of a savings and loan holding company only if (i) the institution is in financial distress, or (ii) additional factors applicable to the institution could present a threat to the FDIC deposit insurance fund or the economy, or (iii) if its parent has been determined by FSOC to be a significant financial company. Alternatively, if a bright-line test is desired, the Rule should require a savings association to submit a resolution plan only if the institution has total assets equaling or exceeding $50 billion and either the savings association or its parent receives a CAMELS rating of 3 or worse or an equivalent low rating from another primary financial regulator.

Section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") authorizes the Financial Stability Oversight Council (FSOC) to require that a nonbank financial company be subject to supervision and enhanced prudential standards imposed by the Board of Governors of the Federal Reserve System (the "Federal Reserve") if the FSOC determines that material financial distress at the company, or the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the company ("Complexity Factors"), could pose a threat to the financial stability of the U.S.[2] The enhanced prudential standards the Federal Reserve must impose include resolution plan requirements. Such requirements apply to those nonbank financial companies that the FSOC determines must be specially supervised by the Federal Reserve ("significant financial companies") in addition to bank holding companies with total consolidated assets of $50 billion or greater ("significant bank holding companies").[3] In this way, the DFA expresses an expectation for the FSOC to determine whether a savings and loan holding company is to be subject to enhanced prudential standards, including resolution plan requirements, imposed by the Federal Reserve based on criteria other than size alone. Indeed, in the FSOC proposed rule, five additional quantitative thresholds have been identified, any one of which when combined with the $50 billion in total assets criterion, could result in designation as a significant financial company based on further evaluation of Complexity Factor considerations.[4]

It is important to note that savings associations typically engage in consumer or retail banking activities, rather than commercial banking activities. For this reason, savings and loan holding

[2] Section 113(a)(1).
[3] Section 165(a)(1).
[4] 76 Fed. Reg. at 64281, October 18, 2011.

companies were not immediately subjected to many of the new requirements imposed by the DFA on very large, complex and systemically significant bank holding companies and significant financial companies.[5] This difference in treatment under the DFA recognizes the fact that savings associations by their nature do not generally present the kind of complexity and threat to either the FDIC deposit insurance fund or the U.S. financial system that the Rule attempts to address, at least not based on size alone. The FDIC preamble to its Rule states that the Rule is intended to complement the resolution plan requirements in Section 165 of the DFA. For that reason, the Rule as applied to savings associations should take into account the Complexity Factors enumerated in the DFA to determine whether the particular savings association presents a substantial threat to the FDIC deposit insurance fund or the economy generally. However, the Rule instead requires a savings association subsidiary of a savings and loan holding company to submit a resolution plan to the FDIC if the savings association's total assets equal or exceed $50 billion. With respect to a savings association subsidiary of a savings and loan holding company, therefore, the Rule imposes an additional burden on savings association subsidiaries of savings and loan holding companies. Thus, we believe the Rule should impose the resolution plan requirements on a savings association subsidiary of a savings and loan holding company only if the institution is in financial distress or the Complexity Factors applicable to the company present a threat to the FDIC deposit insurance fund or the economy, or if its parent has been determined by FSOC to be a significant financial company.

Alternatively, if a bright-line test is desired, as stated above, a savings association could be required to submit a resolution plan only if the institution has total assets equaling or exceeding $50 billion and either the savings association receives a CAMELS rating of 3 or worse or its parent or another material affiliate of the institution receives an equivalent low rating from another primary financial regulator. This test would allow the FDIC to identify the weakest institutions and prepare for receivership and liquidation, but avoids placing an additional burden on healthy institutions. It also would ensure that the FDIC is focusing its efforts on institutions that present the greatest risk of failure. This alternative test would help the FDIC achieve its stated goals of performing its resolution functions efficiently and enhance its ability to evaluate potential loss severity in the event of an institution failure.

B. Imposition of this requirement has a uniquely burdensome impact on USAA and FSB.

The preamble to the Rule states that "currently, with the exception of three thrifts covered by the Rule, holding companies of each insured depository institution covered by the Rule are expected to file a DFA Resolution Plan."[6] We do not believe the FSB is one of the three savings

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[5] For example, Section 171 of the DFA states new minimum capital requirements for "depository institution holding companies," a term that includes both bank holding companies and savings and loan holding companies. However, Section 171 delays the imposition of those requirements on savings and loan holding companies for five years following enactment of the DFA. Also, Section 603 requires the Comptroller General of the United States to provide to the Congress a study and recommendations assessing the adequacy of the federal bank regulatory framework applicable to savings associations and evaluating whether such institutions should be defined as "banks" for purposes of the Bank Holding Company Act, which change in definition would subject savings and loan holding companies to Federal Reserve regulation as bank holding companies.

[6] 76 Fed. Reg. at 58380. See also 58381, footnote 6.

associations identified in this statement. However, it is conceivable that the FSB could be covered by the Rule at some future date even though USAA is a savings and loan holding company, not a bank holding company. Furthermore, the FSOC has not determined USAA to be a significant financial company required to be supervised by the Federal Reserve, nor is it likely to do so given the FSOC's recent proposed rulemaking. Hence, the Rule may require the FSB to provide a resolution plan even though under the DFA the parent holding company is not deemed to be a significant financial company. We urge the FDIC to modify the Rule in a manner that would base a subsidiary depository institution's duty to file a resolution plan upon the requirement that the subsidiary's parent financial company file a resolution plan under DFA. This approach would create a more cohesive and consistent regulatory framework.

C. The burden of preparing resolution plans on depository institutions is significant and likely in excess of the published estimate.

The FDIC has noted that the Rule imposes additional regulatory and financial burdens on the industry and is seeking to minimize the burden on these institutions.[7] The FDIC estimates the burden for the initial response is 7,200 hours. Our very preliminary estimate of the resources required to produce a resolution plan is several times the FDIC's 7,200 hours estimate and will cost millions of dollars, including the services of both internal and external experts and other resources. Although the FDIC has increased the estimated burden from that set forth in the NPR,[8] we believe that the burden at USAA and other similarly situated institutions is much more significant than those approximations. The estimate may be accurate for depository institution subsidiaries of significant bank holding companies or significant financial companies because those parent companies will be filing Section 165 resolution plans, but it does not account for the additional burden the Rule will impose on savings associations whose parent organizations are not required to file company-wide resolution plans.

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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

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[7] Resolution Plans, 76 Fed. Reg. at 58387

[8] Special Reporting, 75 Fed. Reg. at 27468 (estimating the burden to be 500 hours for the initial response).