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Association
of Texas**

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Alliance Bank, Sulphur Springs

Christopher L. Williston VI, CAE
President and CEO
IBAT, Austin

September 9, 2024

James P. Sheesley
Assistant Executive Secretary
Attention: Attention: Comments—RIN 3064-ZA42
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Via Email: Email: comments@fdic.gov.

Re: Request for Information on Deposits; RIN 3064-ZA42 (August 8, 2024)

Mr. Sheesley,

The following comments are provided on behalf of the Independent Bankers Association of Texas (“IBAT”), a trade association that represents the independent community banks of Texas, to the above-referenced Request for Information issued by Federal Deposit Insurance Corporation (“FDIC”) entitled Request for Information (“RFI”) on Deposits published August 8, 2024, in the Federal Register.

Summary: The Federal Deposit Insurance Corporation (FDIC) is soliciting comments from interested parties on deposit data that is not currently reported in the Federal Financial Institutions Examination Council's (FFIEC) Consolidated Reports of Condition and Income (Call Report) or other regulatory reports, including for uninsured deposits. The FDIC seeks information on the characteristics that affect the stability and franchise value of different types of deposits and whether more detailed or more frequent reporting on these characteristics or types of deposits could enhance offsite risk and liquidity monitoring, inform analysis of the benefits and costs associated with additional deposit insurance coverage for certain types of deposits, improve risk sensitivity in deposit insurance pricing, and provide analysts and the general public with accurate and transparent data.

The RFI notes that insured depository institutions (“IDIs”) already provide a significant amount of data regarding their deposit liabilities, both in their Call Reports and pursuant to the FDIC’s regulations relating to reporting to support timely deposit insurance determinations. The data provided under existing regulations, however, does not require banks – of any size - to provide “comprehensive data on the composition of insured and uninsured deposits.”

Community banks simply do not have that “comprehensive data” nor the ability to reasonably produce that data without considerable cost and effort. The question seems to be whether the cost to produce that information would justify the usefulness of the data, and for Texas community banks the answer is clearly no. Texas community banks have a close relationship with their depositors but certainly do not track “characteristics such as length or type of depositor relationship, duration, depositor proximity, or rates paid by account type.”

Compiling the data could be problematic as well. For example, if a depositor has multiple accounts, the open date of a particular account may not reflect when the depositor first established a deposit relationship with the bank without significant research. Additionally, the record retention requirements for closed accounts are generally five years after close, and a closed account removed from the system that predates accounts that are currently open would certainly impact the date as to when the deposit relationship originally started.

In the most recent Conference of State Bank Supervisors’ Community Bank Sentiment Index, the regulatory burden component was at 20 (anything below 100 indicates a negative sentiment) and remained by far the lowest among the seven components reported on and has been below 30 for 14 straight quarters. Requiring community banks to produce that “comprehensive data” will do nothing to improve the regulatory burden already choking community banks.

Additionally, currently, only banks with \$1 billion or more in total consolidated assets report the estimated amount of uninsured deposits on the Call Report each quarter, yet this RFI applies to all FDIC-supervised financial institutions. That makes one wonder if the threshold for reporting uninsured deposits is being revisited. The average total assets for IBAT member banks are approximately \$698 million. In a risk-based world, that exception to report on uninsured deposits is reasonable and should in fact be increased to banks with \$10 billion or more in total consolidated assets.

Finally, IBAT member banks remain concerned about the implicit government guarantee of deposits at those institutions classified as systemically important, or which may be arbitrarily deemed as systemically important in the heat of a crisis, like the reactions to Silicon Valley Bank, Signature Bank and First Republic Bank. IBAT suspects that none of its members would enjoy such a benefit and, as such, the FDIC and other regulators have created a bi-furcated system of banks (and depositors) which unnecessarily disadvantages community banks, especially in moments of crisis. Despite the use of ‘special assessments’ on those larger banks to cover losses caused by the 2023 failures, inevitably this implicit guarantee does impact the amounts community banks pay for FDIC insurance.

The IBAT board of directors, responding to an informal poll, has signaled a lack of support for unlimited insurance coverage for all deposits. Although we would reserve the right to evaluate any recommendation on its own merits, the notion of a targeted expansion of insurance coverage to specific types of accounts is worth considering. While very few of IBAT’s member banks reported a flight in deposits due to concerns raised by the failure of those previously mentioned banks in 2023, any changes that shift the imbalance between the “haves” and “have-nots” as it relates to the implicit government guarantee of all depositors would, we hope, only improve the standing of community banks and their depositors.

Thank you for your consideration of our comments

Sincerely,



Christopher L. Williston, CAE
President and CEO