



Brad M. Bolton, *Chairman*
Derek B. Williams, *Chairman-Elect*
Lucas White, *Vice Chairman*
Tim R. Aiken, *Treasurer*
Sarah Getzlaff, *Secretary*
Robert M. Fisher, *Immediate Past Chairman*
Rebeca Romero Rainey, *President and CEO*

August 22, 2022

Comment Intake – Relationship Banking
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Docket No. CFPB-2022-0040 – CFPB Request for Information Regarding Relationship Banking and Customer Service

Dear Sir or Madam:

The Independent Community Bankers of America (“ICBA”)¹ welcomes the opportunity to provide comment in response to the Consumer Financial Protection Bureau’s (“CFPB” or “Bureau”) Request for Information (“RFI”) regarding Relationship Banking and Customer Service.² ICBA appreciates Director Chopra’s recognition of, and support for, relationship banking.

In their essence, community banks are relationship-based banks. This intrinsic quality of community banks routinely results in higher levels of customer satisfaction, both from a consumer and small business perspective, when compared to large banks, credit unions, and nonbank fintechs. However, ICBA stresses that providing premier customer service and achieving high satisfaction are not aspirations that can be obtained through prescriptive regulation. Rather, the character of a bank, its mission and purpose are how these goals are achieved.

¹ *The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.*

With nearly 50,000 locations nationwide, community banks constitute roughly 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding nearly \$5.9 trillion in assets, over \$4.9 trillion in deposits, and more than \$3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America. For more information, visit ICBA’s website at www.icba.org.

² Request for Information Regarding Relationship Banking and Customer Service, (Docket No. CFPB-2022-0040), 87 Fed. Reg. 36828 (Jun. 21, 2022).

The Nation’s Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Good customer service cannot be obtained by prescribing regulation. Perversely, if the Bureau attempts to facilitate good customer service through regulation, then banks will have to spend more time adhering to regulatory procedure, documenting compliance, and consequently, less time meeting the needs of their customers.

Background

Under section 1034(c) of the Consumer Financial Protection Act (“CFPA”), consumers have a right to obtain timely responses to requests for information about their accounts from banks and credit unions that have \$10 billion or more in assets.³ Other than a list of exceptions from the requirement, section 1034(c) does not require any detailed steps or procedures of covered banks and credit unions.

Because it has never issued guidance, regulations, or enforcement orders that expand upon section 1034(c), the Bureau is now considering whether future policy guidance or other initiatives are warranted regarding the rights outlined in section 1034(c). To aid in that effort, the Bureau seeks information from the public on what customer service obstacles consumers face in the banking market, and specifically, what information would be helpful for consumers to obtain from depository institutions pursuant to section 1034(c) of the CFPA.

ICBA Comments

ICBA offers three general comments for the Bureau to consider. First, ICBA firmly supports the Bureau’s assertions that relationship banking is vastly superior to transactional banking, which is why community banks are so highly rated. Second, while most community banks will not be covered by any potential rulemaking or guidance resulting from this RFI, many community banks exceed \$10 billion in assets and could inappropriately be entangled in the RFI’s scope. And third, though fintechs and other nonbanks would not be covered under a 1034(c) rulemaking due to their status as non-depositaries, the Bureau could achieve the RFI’s purpose as applied to nonbank fintechs through other statutory authority.

Community banks are the archetype of relationship lenders

ICBA appreciates and applauds the Bureau’s recognition that relationship-based lending is a strength that should be lauded and emulated. As Director Chopra remarked at the RFI’s release, “relationship banking is an aspirational model of banking that meets its customers’ needs

³ 12 U.S.C. 5534(c)(1).

through strong customer service, responsiveness, and care. Relationship banking can play a critical role in helping to foster fair, transparent, and competitive marketplaces.”⁴

Community banks are clearly the type of relationship banks that Director Chopra so proudly advances. Supporting this assertion, research and studies show that community banks consistently outperform other categories of financial institutions when it comes to customer service and satisfaction.

National surveys of consumers consistently show that Americans prefer the services of community banks, rewarding them with high marks in satisfaction and trustworthiness. For example, the most recent American Customer Satisfaction Index (“ACSI”) showed that regional and community banks were most favored among survey respondents, reflected in Figure 1.⁵

AMERICAN CUSTOMER SATISFACTION INDEX: BANKS			
	2020	2021	% CHANGE
Banks	78	78	0.0%
Regional & Community Banks*	81	80	-1.2%
National Banks	76	76	0.0%
Super Regional Banks	75	75	0.0%

*Category represents “all other” smaller banks

0-100 Scale

© 2021 American Customer Satisfaction Index. All Rights Reserved.

Figure 1

Beyond consumer satisfaction, community banks excel in small business satisfaction, given that community bankers leverage personal knowledge of their communities to underwrite loans that others would not. As an FDIC report acknowledged, “small businesses, particularly small start-up companies, may be unable to satisfy the requirements of the more structured approach to underwriting that larger banks use. The relationship lending approach used by community banks is often the only avenue small businesses have to obtain loans and access other financial services.”⁶ This finding is also supported in a recent survey conducted by the Federal Reserve Bank System, shown in Figure 2, which found that small business satisfaction was highest with small banks.⁷

⁴ *Supra* note 3.

⁵ American Customer Satisfaction Index, “Finance Study 2020-2021,” Nov. 16, 2021, available at https://www.theacsi.org/wp-content/uploads/2022/02/21nov_FINANCE-STUDY.pdf.

⁶ FDIC Community Banking Study, Dec. 2012 at 1-1, available at <https://www.fdic.gov/resources/community-banking/report/2012/2012-cbi-study-full.pdf>.

⁷ Small Business Credit Survey, 2022 Report on Employer Firms, Federal Reserve Bank System, at 22, available at <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2022-sbcs-employer-firms-report>.

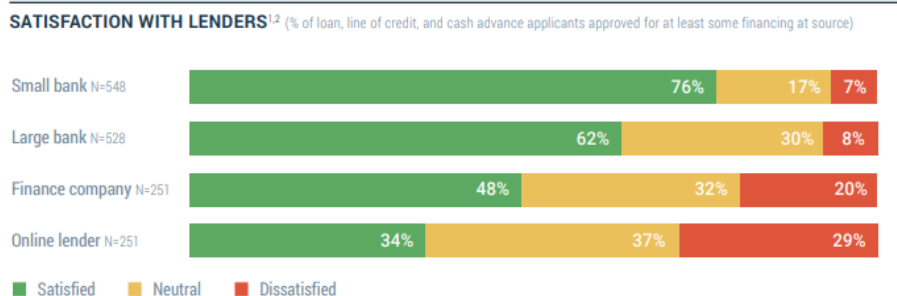


Figure 2

During the economic uncertainty and disruptions to businesses brought on by the COVID-19 pandemic, community banks once again demonstrated why they are favored among small business owners. Community banks outperformed all other lenders in response to the COVID-19 pandemic through their participation in the Paycheck Protection Program (“PPP”).

In a Conference of State Banking Supervisors (“CSBS”) report, CSBS shows that community banks played an outsized role in serving small businesses under PPP.⁸ The report found that, “[c]ommunity banks had a disproportionately greater share in lending to small businesses than their larger and more complex counterparts.”⁹ CSBS goes on to explain that this result is “no surprise,” given community banks’ “long-term relationships and specialized knowledge of local markets, businesses, and customers...”¹⁰

As demonstrated through PPP, and consistently evidenced by survey results, community banks repeatedly prove how relationship lending and personal connections to communities lead to better results.

Community banks are not solely defined by asset size

Though the vast majority of community banks have less than \$10 billion in assets, and thus, not the focus of this RFI, there are still plenty of community banks greater than \$10 billion in assets that are relationship-based. Asset size, alone, is not sufficient to determine whether a bank is relationship-based.

Other factors that help determine whether a bank is a community bank include the bank’s focus, activities, and market area. Community banks are known for their focus on traditional banking activities. Community banks mainly conduct lending and deposit gathering activities within a fairly limited market area.

⁸ Cordova, Carlos, “Community Banks Play Outsized Role in PPP Lending,” CSBS Blog, Dec. 11, 2020, *available at* <https://www.csbs.org/newsroom/community-banks-play-outsized-role-ppp-lending>.

⁹ *Id.*

¹⁰ *Id.*

The FDIC has also recognized that “community bank” cannot neatly be defined by asset size, alone. In examining this issue, the FDIC developed several criteria that help assess whether a bank is a “community” bank or a relationship-based bank. One of the more visible hallmarks is whether the bank obtains most of its core deposits locally and makes many of its loans to local businesses.¹¹ As the FDIC noted, “designation of these larger institutions as community banks is important, in that it shows that using asset-size limits alone could unnecessarily exclude relatively large banks that otherwise conduct business very much like other community institutions.”¹²

Just as smaller asset-sized community banks leverage their community presence and specialized knowledge to forge deep relationships, so do larger asset-sized community banks. Community banks of all sizes recognize that their success is linked to the overall satisfaction of their customer base. It benefits community banks to excel in serving their customers and resolve situations when consumers’ expectations are not met. This ethos applies across a wide spectrum of community banks, including those that have more than \$10 billion in assets.

Customer service at nonbanks fintechs is severely lacking

Research suggests that customer service and satisfaction levels with nonbank fintechs trails all other service providers, and as such, are fertile ground for the Bureau’s attention. Apart from asking for the satisfaction levels of service at small banks, the Federal Reserve Bank System survey, as reflected in Figure 2 above, also noted the nadir of small business satisfaction at nonbank fintechs and online lenders. Nearly one-third of respondents were dissatisfied with their online lender.¹³

Tracking their level of dissatisfaction, Figure 3 shows that a high proportion of small business owners reported challenges associated with online lenders.¹⁴

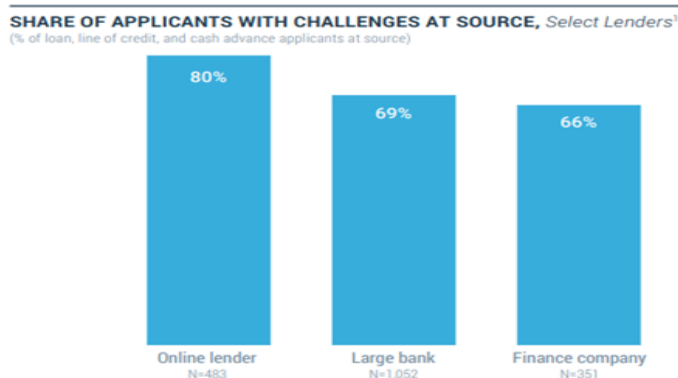


Figure 3

¹¹ *Supra* note 7.

¹² *Id.*

¹³ *Supra* note 8.

¹⁴ *Id.* at 23.

As Director Chopra noted, “[c]ustomers of large banks should not have to run through an obstacle course to get a straight answer about their account.”¹⁵ ICBA further notes that customers of nonbank fintechs similarly should not have to run through similar hoops.

Though not empowered under its section 1034(c) authority, the Bureau should use other statutory authority to assess whether consumers are adequately able to access their information from nonbank fintechs. For example, ICBA has urged the CFPB to hold fintechs and data aggregators to the same standards as banks under its section 1024 authority. ICBA provided extensive support for a recent Bureau procedural change that would utilize this authority.¹⁶ These rights align directly with the customer satisfaction purpose of this RFI, including procedures for error resolution.

Conclusion

A community bank’s success is largely dependent on its reputation of fostering customer trust and being responsive to the needs of its community. Accordingly, good customer service or close relationships are not facilitated by prescriptive regulations. Instead, these objectives are obtained through a sincere belief that customers and communities are vital to the success and vitality of a business and the communities served

Should you like to discuss this letter further, or if you have any questions, please do not hesitate to contact me at michael.emancipator@icba.org or (202) 821-4469.

Sincerely,

/s/

Michael Emancipator
Vice President and Regulatory Counsel

¹⁵ CFPB Press Release, “CFPB Launches Initiative to Improve Customer Service at Big Banks,” June 14, 2022, *available at* <https://www.consumerfinance.gov/about-us/newsroom/cfpb-launches-initiative-to-improve-customer-service-at-big-banks/>.

¹⁶ ICBA Comment letter on Supervisory Authority Over Certain Nonbank Covered Persons Based on Risk Determination; Public Release of Decisions and Orders, Docket No. CFPB-2022-0024, May 31, 2022, *available at* https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/icba-comment-on-cfpb-nonbank-supervision.pdf?sfvrsn=25c21c17_5.