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MEDIA RELEASE

Louisiana Office of Financial Institutions

State Regulators and Federal Reserve Release 2014 Community Banking Report

St. Louis — State regulators and the Federal Reserve System today released *Community Banking in the 21st Century: Opportunities, Challenges and Perspectives*, a report that details conditions facing today's community bankers. The report was produced and released in conjunction with the second annual Community Banking in the 21st Century research and policy conference, hosted by the Fed and the Conference of State Bank Supervisors (CSBS) at the Federal Reserve Bank of St. Louis on Sept. 23-24, 2014.

The report can be found at <http://www.stlouisfed.org/CBRC2014/town-hall.pdf>.

This is the second consecutive year the report has been published. To solicit the views of the community banking industry, state regulators in 30 states held town hall meetings with more than 1,300 community bankers from April to July. The town hall summaries within the *Community Banking in the 21st Century* publication provide insight from the industry on the state of community banks.

In addition to the town hall summaries, the Fed and state regulators added a new component to this year's report: a comprehensive survey administered by state bank commissioners in 38 states. More than 1,000 community bankers participated, providing key data that helps quantify the challenges facing community banks today, and how these banks are responding to market conditions.

Together, the results of the town hall meetings provide a unique opportunity to connect the quantitative data in the survey with the stories and experiences of bankers serving their communities.

The survey provided a fascinating look into the community banking sector. The respondents were largely state-chartered banks operating in a single state and engaging in traditional banking activities. The Fed and CSBS intentionally focused a significant number of questions on mortgage lending, since bankers have been vocal about the compliance burdens associated with mortgage lending. While the ability-to-repay (ATR) and the qualified mortgage (QM) rules have only recently taken effect, bankers most likely made the initial business decision on how they would respond to the new rules. Understanding the impact of these rules on bank lending and credit availability is important to public policy.

The results of the survey provide an early look into the industry's thinking. Banks continue to see opportunity in residential mortgage lending but have a mixed view of non-QM lending. Assessing the ATR and QM standards against current exposures, bankers generally identified a low level of nonconformance, suggesting the rules may generally be in line with bank practices while still requiring significant changes in operations.

Commissioner John Ducrest, who currently serves on the Board of Directors of CSBS and the Financial Stability Oversight Council, stated "He was pleased with the contents of this year's report which includes both anecdotal feedback from community bankers across the country and quantitative survey data from a significant number of banks from across the country. He was also hopeful that the report, coupled with the research papers presented at the CSBS-Fed conference, will provide a better understanding of how governmental policies impact community banks, their local economies, and the U.S. economy as a whole."

For more information about the conference, including the research papers that were presented and keynote speaker remarks, see <http://www.stlouisfed.org/CBRC2014>.

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