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NEWS RELEASE

FOR IMMEDIATE RELEASE

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STATE REGULATORS AND FEDERAL RESERVE RELEASE 2014 COMMUNITY BANKING REPORT

IDAHO COMMUNITY BANKERS REPORT "A REBOUNDED LOCAL ECONOMY IS FUELING NEW DEVELOPMENT AND INCREASING LOAN DEMAND."

Boise — State regulators and the Federal Reserve System have 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. Tom Romrell, CEO of The Bank of Commerce, headquartered in Idaho Falls, and Gavin Gee, director of the Idaho Department of Finance, represented Idaho at the conference.

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.

The Idaho Department of Finance held town hall meetings with nearly 100-percent participation by the CEOs of Idaho's community banks. Discussions at the meetings centered on the greatest local opportunities and challenges for community banks. Among the greatest opportunities, Idaho community bankers reported "that the rebounding Idaho economy has resulted in an increase in demand for custom construction lending and commercial and industrial lending."

As to challenges facing Idaho's community banks, the bankers pointed to regulatory burden as their "single greatest challenge ..." For example, consumer regulations such as the new mortgage rules have rendered community banks "no longer able to exercise discretion and rely on independent judgment in their lending decisions ..." Commenting on Idaho's town hall meetings, Gee stated "While Idaho's community banks continue to report that excessive federal regulatory burdens are their greatest challenge and harming their business, the encouraging news is that the continually improving Idaho economy is resulting in increased growth, development and business loan demand."

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, including Idaho. 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.

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The survey provided an insightful 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.

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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