Hello from Washington, D.C. I want to thank you for joining our virtual conference; I do wish we were meeting in the shadow of the famed Gateway Arch at the Federal Reserve of St. Louis. But these past two days have shown that we can still gather – online – to listen and learn as academics, policymakers, regulators, and bankers share and discuss research findings on community banking.

This research is important. It puts facts and figures on community banking that informs policy. During this conference we have heard how those facts and figures, illuminated by observations from bankers and regulators, have real consequences.

A few takeaways...

Proximity matters. While it has been almost 20 years since Hurricane Katrina, research finds some timely lessons. Local community banks, unlike large banks, did not have to divert financial resources to help affected areas, which preserved their local markets in undamaged areas from reduced housing prices and slowed construction activity.

Customers matter. We learned that small business plays an important supporting role to community banks, with a paper drawing a direct connection between policy makers’ support for small businesses and the health and growth of the community bank sector.
Relationship lending matters. This week, researchers revealed that more low-income borrowers were able to gain mortgages because small banks can base their loans on more than just a check list.

And, the COVID crisis has highlighted that community banking has been a strength and feature of our banking system’s transmission of the Paycheck Protection Program.

Across the nation, community banks pivoted to make sure their customers still had access to services despite stay at home orders. I have heard countless stories about the long hours and dedication of community banks in ensuring that their local businesses could survive by accessing the Paycheck Protection Program. It bears repeating that community banks made $196 billion in loans specifically under the PPP, which represents at least 37% of all funding provided under this program. As FDIC Chairman Jelena McWilliams succinctly put it, “community banks have punched above their weight.”

The question now is - What comes next? What issues important to community banking should we dive into over the next year. I believe that our annual CSBS community bank survey holds some clues.

The results from this year’s survey show that community banks are still frustrated with core providers and technology. Consider - 40% of respondents were dissatisfied or highly dissatisfied, with costs of in-house or external delivery of core processing services. Then why have more than two-thirds of the banks surveyed stayed with their core providers for more than 10 years? The expense of terminating the contract or changing providers.

Cost is also an issue with adoption of emerging technology. Our survey has shown a growing trend of community banks embracing new technologies. This year, 73% of respondents ranked the adoption of new or emerging technologies to meet customer demand as important or very important. However, the actual number of those offering digital and online services remains largely unchanged. Why? Again - cost.
And we have yet to plumb the deep area of potential research — any lasting impact from the pandemic. One banker told us that the loans during the pandemic “were never transactional matters. We were presented with several opportunities by bank customers who simply couldn’t get a loan from their large corporate-style bank.”

I raise these three specific issues, because I hope the survey results identify areas for future research. And why does this matter? Because the research we have seen has shown how much the community bank model means to their customers and to our nation’s small business infrastructure. As President Bullard noted, good research leads to better policy.

I have tremendous faith in the future of community banks. Consider the panel of students who didn’t just win this year’s CSBS case study competition; they joined the system. Three of the five students are now working for community banks, and another hopes to join one when he graduates in December. The fifth student just started his new job with the Mississippi state banking department this week.

I look forward to building on this research and learning more next year, hopefully when we meet near the Gateway Arch.