“Like music and art, love of nature is a common language that can transcend boundaries.”

? Jimmy Carter, 39th President of the United States, was born on this day in 1924

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CSBS Survey Shows Pandemic Impact on Community Banks
Concern about business conditions surpassed funding as the greatest challenge for community banks as they navigated the impact of the coronavirus pandemic, according to the CSBS’ seventh annual national survey.

Last year, funding led the top concern, and only 6% of respondents listed business conditions as a challenge. However, this year, business conditions leapt to the top, with 34% of banks reporting it was their greatest challenge. Only 9% of respondents listed funding as their top concern, down from 23% a year prior.

Relationship lending continued to be a strength of community banks as their communities adjusted to the pandemic’s economic fallout. Community bankers reported increasing their loans to small businesses by 40% for the year ended in June.

Other key findings from the 2020 survey include:

- More than 40% of respondents said supervisory expectations for due diligence of third-party providers were an impediment to establishing new third-party relationships.
- Sixty-three percent of respondents said the regulatory burden from the Bank Secrecy Act is a major concern.
- While last year’s survey showed community banks were embracing technology, the actual number of those offering digital and online services remains largely unchanged due to cost.

The survey is being released today at the start of the Community Banking in the 21st Century Research and Policy Conference, sponsored by the CSBS, Federal Reserve Board of Governors and the Federal Deposit Insurance Corporation.

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Attendees of the 2020 Community Banking in the 21st Century conference heard from thought leaders in financial regulation across government, industry and academia. Here, we've selected a few highlights:

CSBS President and CEO John Ryan:

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...

Read John's full remarks at csbs.org.

Federal Reserve Governor Michelle W. Bowman:

Thank you, it is a pleasure to join you virtually today and share a few thoughts on what I am hearing from community banks in the wake of the pandemic, and what the Federal Reserve is doing to assist in the recovery.

When I addressed this conference exactly a year ago, the world was a very different place. COVID-19 has brought hardship and disruption to nearly every aspect of our lives,
and even as economic conditions improve, the pandemic continues to weigh on households, businesses, and the economy. Today, I would like to offer some of my observations on current conditions and share with you what I have learned in discussions with community bankers across the nation. This input has shaped my views of how supervision and regulation are affecting community banks in these challenging times—what is working, and what needs to improve. In addition to the Fed's usual consultation with community banks, I have separately embarked on an effort to meet directly with the CEOs of all 685 community banks supervised by the Fed, an undertaking that has already provided valuable insights that I will relate in these remarks.

Read Governor Bowman’s full remarks at csbs.org.

2020 Five Questions for Five Bankers: A View from the States

By CSBS Senior Policy Analyst Alisha Sears

CSBS is excited to share the state responses to the 2020 “Five Questions for Five Bankers.”

As in previous years, these questions are carefully designed to help facilitate state regulator and banker dialogue to better understand the emerging issues faced by community banks.

The narratives produced also help provide qualitative insight to the questions asked in the National Survey of Community Banks.

These year’s questions focused on how bankers are serving the community during the pandemic and the future or community banking, burden reduction from regulatory relief
or supervisory efforts, funding challenges and opportunities, impact of natural disasters, extreme weather events and other climate-related change, and evaluating compliance with the Bank Secrecy Act/ Anti-Money Laundering law.

This dialogue would not be happening without the work and engagement the commissioners do with the bankers. Even during these challenging times, we continue to get feedback that this is a very valuable exercise and an excellent opportunity to hear what community bankers have to say on important issues. That is why we chose to move forward with this project this year, despite the pandemic.

We cannot thank enough the states that were able to make time to participate this year. We hope that in the future, the Five Questions for Five Bankers responses will once again return as an addition to the National Survey of Community Banks in the annual publication.

While this year certainly looks different, we believe there is great value in these shared stories. The compiled state summaries can be accessed here.

State Financial Regulators Seek Public Comment on Prudential Standards for Nonbank Mortgage Servicers

CSBS is seeking public input on proposed regulatory prudential standards for nonbank mortgage servicers, as the state-regulated industry covers an increasing share of this market.

The proposal intends to:

1. Provide better protection for borrowers, investors and other stakeholders in the
occurrence of a stress event that could result in harm;

2. Enhance effective regulatory oversight and market discipline over these entities; and

3. Improve transparency, accountability, risk management and corporate governance standards.


“With nonbank mortgage servicing now comprising more than 50% of the agency market, it’s critical that states have a common standard for assessing these entities’ safety and soundness and corporate governance,” said CSBS President and CEO John W. Ryan. “We look forward to receiving industry and stakeholder input as we craft final standards that enable robust oversight that balances consumer protection, prudential regulation and market viability.”

The main components of the proposal are:

- A “scaled” approach to covered institutions, with Enhanced Standards applied to “Complex Servicers” that are generally considered to have a higher risk profile.
- Alignment with existing and proposed federal standards to the greatest extent possible to avoid duplicative efforts and reduce regulatory burden on institutions.
- Baseline Standards that cover eight areas, including capital, liquidity, risk management, data standards and integrity, data protection (including cyber risk), corporate governance, servicing transfer requirements and change of control requirements.
- Enhanced Standards that apply additional coverage for capital and liquidity, plus requirements for stress testing and living will and recovery and resolution plans.

More information on the proposal is available here or by going to www.csbs.org and searching for Prudential Standards.
State financial regulators now have the ability to input, manage and address consumer complaints electronically within the SES technology platform, CSBS announced today.

State agencies can enter and process complaints about financial entities under their supervision. Summaries of all complaints are available to any state regulator using the complaints system, creating a risk-focused network.

“Bringing together supervisory processes of examination, investigation and complaint review in one online platform offers a comprehensive view of state-supervised companies,” said Charles G. Cooper, Texas Banking Commissioner and vice-chair of State Regulatory Registry Board, a CSBS subsidiary. “The information will certainly inform our view of each institution and the financial system.”

Companies licensed or registered through the Nationwide Multistate Licensing System will receive SES Consumer Complaints enrollment information when their state regulator is ready for each company to utilize the new system. Once registered, institutions will work with their regulator inside the system to resolve consumer complaints.

Kyle Thomas, CSBS vice president in charge of SES development, explained, “This new feature will eventually replace many agencies’ routines of manually processing and resolving consumer complaints and improve their ability to share information with fellow regulators. Through SES, financial institutions operating in multiple states will see more benefits of streamlined supervision as more states bring their supervised entities onto the system.”

“This new functionality will allow regulators to view complaints across the country and more quickly identify trends and bad actors,” said John W. Ryan, CSBS president and
CEO. “This is another example of how states are creating a more networked system of supervision to enhance state oversight while streamlining compliance for regulated entities.”

Currently, consumers can verify licensing status and view regulatory actions through NMLS Consumer Access. Future plans for the system include a consumer-facing portal where citizens of any state or territory can file a complaint about any financial institution under state oversight, and the system will route the complaint to the appropriate state agency for a resolution.

Learn more by joining the SES Consumer Complaints Industry Webinar on Oct. 8 from 2-3 p.m. ET. Register at www.csbs.org/SESWebinar. All companies on the NMLS received a letter about the new functionality and webinar.

2020 Community Bank Case Study Competition: Journal on BSA-AML is now available, and We Catch up With Our 2020 Winners

CSBS today announced it has published this year’s Journal of Community Bank Case Studies, which showcases the work of the top three student teams in the 2020 Community Bank Case Study Competition.

This year’s competition asked students to partner with a local bank to examine compliance challenges, associated time and costs of the Bank Secrecy Act and anti-money laundering law requirements as well as identify potential regulatory reforms.

This is the sixth year of the annual competition, which is open to undergraduate students in all fields of study as an opportunity to gain valuable first-hand knowledge of the banking industry.
Catching up with our 2020 champions

Dr. Matthew Whitledge served as the faculty advisor for the Mississippi State University team:

"No matter how much we as academics can use in-class examples (even with real data), we cannot mimic the experience created by this case study competition. They will always have a connection with the executives with that bank as they progress in their careers. And, importantly, those benefits exist regardless of the winning the competition.

Juan Benavides, who graduated from Mississippi State University in May, now works as a credit analyst for Planters Bank & Trust, a community bank:

"The case study definitely opened my eyes to begin considering banking as a career opportunity. One of the most interesting things I discovered was the impact that this bank had within its community. They are committed to their community in every way and want to see their community prosper."
Byron McClendon graduated from Mississippi State University in May and now works at the Mississippi Department of Banking and Consumer Finance.

"Entering the case study peaked my interest in banking. It reassured me that I was meant to have a banking career by allowing me to get hands-on experience in the field that I am passionate about."

Liam Benson graduated from MSU in May with a B.B.A. in finance. Before the study, he hadn't considered a career in community banking. Benson now works at Androscoggin Bank in Lawiston, Maine.

"Being able to see and hear about the impact of community banks on their region was a nice insight.

I found it interesting how much information banks provide for the government at the state and national level. It seems as though it is more of a burden than a benefit at times."

Kirk Wright will receive degrees in finance and French when he graduates from Mississippi State University in December and says the case study has "shined a light" on the banking industry:

"Although I have not accepted a full-time position yet, this case study has swayed me to reach out and interview with banks. Being able to see the huge impact that banks have on their communities, to help small companies grow and to help the people be financially"
sound, was an incredible experience."

Jake Misna graduated from Mississippi State University this May and now works at Renasant Bank as an Enterprise Risk Management Analyst.

"Before the study I was looking more into corporate finance, but the case study helped me realize that banking would be a better route for me. I had no idea that Citizens National Bank was so critical to so many people in Meridian and across Mississippi."

Ohio Receives First Money Service Business Accreditation

CSBS today announced it has presented its first Money Service Business (MSB) Accreditation to the Ohio Division of Financial Institutions, marking another significant milestone in the state regulatory system’s evolution toward a more networked system of supervision.

“While Ohio is the first state to obtain MSB Accreditation, this a win for the entire state system,” said CSBS President and CEO John W. Ryan. “Accreditation is critical for creating a system of supervision where states can conduct joint exams, leverage each other’s expertise and operate as a network.”

MSB Accreditation is part of the CSBS Vision 2020 goal to modernize nonbank licensing and supervision throughout the United States. This announcement follows the recent launch of the MSB Networked Supervision program which streamlines exams for nationwide payments companies. State regulators are also working to improve the licensing process through the Multistate MSB Licensing Agreement, which now has 28 state signatories.
“We are pleased to receive the first MSB Accreditation, which will enhance consumer protection and create efficiencies for the entities we regulate,” said Ohio Division of Financial Institutions Superintendent Kevin Allard. “I am proud of my staff’s hard work in completing this accreditation, along with re-accreditations for our bank, mortgage and credit union programs, while also supporting Ohioans during a very difficult time.”

The MSB Accreditation is offered in partnership with MTRA. The accreditation certifies that a state has the resources and necessary processes in place to ensure MSBs in that state operate safely and soundly, follow BSA/AML standards and abide by state and federal consumer protection laws. State regulators are the primary regulators of MSBs, which include money transmitters, payments providers, prepaid/stored value, currency exchangers and check cashers.

“MTRA congratulates Superintendent Allard and his staff for achieving MSB Accreditation,” said Rick St. Onge, MTRA Board President and Washington State Department of Financial Institutions Examinations Chief. “MTRA is pleased to be part of this important effort as we work toward a stronger system of MSB supervision through increased accreditation and cooperation amongst states.”

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