SPEECHES

Community Banks: Adaptation and Invention in Your Hometown

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CSBS Chair and Indiana Director of Banking Tom Fite
Community Banking Research Conference Opening Remarks
St. Louis, MO
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Thank you, Jim. It is great to see so many of you in person, and I am happy to welcome all of you to the tenth annual Community Banking Research Conference. As chair of the CSBS Board of Directors, I also want to thank our co-sponsors, the Federal Reserve System and the FDIC, and our host, the St. Louis Federal Bank.

I am so glad we are finally back in this auditorium after nearly three very strange years that brought uncertainty, challenges, and, I have to say, some ingenuity. As the late CSBS CEO and president John Ryan has said, the pandemic pushed us into the future and using new technologies. Before the pandemic, I think that I, as a regulator, would have been shocked at the idea of off-site bank examinations and mortgage loan originators working for home – and the idea of a virtual conference sounded more like something George Jetson would do. But during the pandemic, we all learned how to adapt, advance and better use our resources. Look at us now, holding a hybrid in-person and virtual conference.

Over these past three years, the importance a community bank's relationship lending really shined, especially with the paycheck protection program. Over those same three years, the percentage of bankers who said the adoption of new technology is extremely important doubled in the CSBS National Survey of Community Banks.

That doesn't surprise me. Community banks have proven to be an incredible source of adjustment and invention. Consider ATMs and checking accounts – both were created by community banks. Adapting, advancing and better using our resources is important in today's world. I think about how 10 years ago, I used my flip phone to make phone calls. Last week, I used my smart phone to pay a friend $30.

Financial services have to keep up with technology and customer demands. But at its core, banking is about deposits – taking money and moving money. Community banks have an extra important dimension due to the relationships they have with their customers and neighborhoods.

I think we all know the stories – like the one about a friend of mine back in Indianapolis who owns a boat company. Indiana has about 80 lakes, and the boating industry is a good business for someone in my state. But during the last financial dip, my friend's national bank abruptly stopped doing boat loans, cutting my friend's business off completely. It created a dire and immediate problem – or, rather, it would have. He had the good

sense to go to his local community bank, which understood the business of boat lending and knew exactly how important his business was to the local economy. That community bank didn't just secure my friend's line of credit, it saved his company. It meant people had jobs.

Community banks play an incredibly important role in their hometowns. Often when a community bank leaves, all that is left is a gas station and one blinking light.

As state regulators, we think about that a lot. The key is to craft a successful model that keeps the core deposit essentials, respects relationship lending and allows for competition in a fast-changing world. It is an interesting challenge for a regulator. We know community banks have to compete with companies that are sometimes created to exist for one year. That means managing new risks – and ones that we want to be successful. We want to make sure the community banking model is around for another 100 years.

That is why this conference is so very important. Ten years ago, we all knew and told community banking stories like the one about my friend with the boat company, but we knew we needed more than anecdotes. We needed research. That is how this unique event uniting academics, bankers and regulators came together, to allow a greater understanding of better policy to support the community banking model.

The conference has matured since then. We've added the survey, giving us insight from community banks across nationwide. We're looking to the younger generation with the CSBS Community Bank Case Study, which has encouraged many to join community banks or become a bank examiner. We welcomed more than 21 emerging scholars. And in 2018, we were pleased to welcome the FDIC as a co-sponsor.

Policymakers are paying attention, citing research from this conference on the Hill and in federal reports. And the data we create will be used by researchers beyond the conference.

Earlier this month, the Federal Reserve added the CSBS Community Bank Sentiment Index, which grew out of the national survey, to the FRED.

Through this conference, we have built a huge amount of research and data that has shown the importance and value of community banks and how we can better incorporate laws and tailor regulations to help them succeed. We are bringing together three key areas – financial regulators, academics and industry – to find a better way.

I hope you enjoy the next two days of research and conversation. I really am glad we are back.