PRESS RELEASES

Closing Remarks - 2022 Community Bank Research Conference

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CSBS Board Chair-Elect and North Dakota Dept of Financial Institutions Commissioner Lise Kruse

As you can see, I am not Jim Cooper, as listed in the program. Unfortunately, Jim is unable to be here today, but I am pleased to be here representing CSBS on his behalf. Jim is a regular at this conference and a familiar face to many of you. He is disappointed that he can't be here.

It is also truly an honor to announce the first-time winner of the John W. Ryan Award for Most Significant Contribution to Community Banking Research today. John really was a visionary in how he understood the value of research and its role in shaping policy. He was a remarkable force behind the creation of this conference and spoke at it every year. I'm glad that his contributions will be recognized each year going forward.

Before I announce the winner, I want to take a few minutes to share my thoughts on this event and this year's research. First, though, as the CSBS Chair Elect, I can't pass up this moment to remind all of the bankers in our audience that you still have time to respond to this quarter's CBSI survey. You've heard a lot about it at this conference, and we are really pleased that it has been added to the FRED.

I want to thank the planning members from the Federal Reserve, FDIC and CSBS. I especially want to thank Jim Fuchs for heading up the conference, and to thank the Federal Reserve Bank of St. Louis for hosting – it is great to return, even as a hybrid.

The research papers here get stronger every year with more papers published in prominent journals – they are truly impressive. Creating research is one thing. Building the findings into effective change is another, and it takes time. However, in the past 10 years, we have seen the needle move:

- Lawmakers have cited the work from this conference.
- Federal policymakers have used our research to shift towards exempting smaller banks from rules designed for larger ones.
- We've seen research from this event contribute to policy decisions in other areas. Some of those include:
- The value of risk-based capital for community banks
- The limitations of the Herfindahl-Hirschman Index
- And the effectiveness of the federal appeal process of material supervisory issues
- And the CSBS National Survey of Community Banks has been featured prominently in government reports and academic research.

In short, we are building the proof points that we need for a stronger community banking sector. I was encouraged yesterday by a panel discussion comment. The research revealed that sometimes academic research has gaps because of the “invisible, contextual information” academics cannot see. One of the presenters said that was why he was here at the conference – to have the opportunity to actually talk to community bankers.

That is an incredibly important part of this conference and speaks to its uniqueness. Thinking of what Luanne said this morning, there is always a story behind the numbers. This conference helps us tie the stories and the numbers together.

So where do we go from here?

The relationship between technology and community banks is evolving at a fast pace. We just heard from the last panel that employing technology doesn’t mean losing the benefits of relationship banking. But while some banks have fully embraced online banking, our survey showed a lot of other community banks are looking for ways to employ technology but are finding it expensive. I’d like to see more research into this relationship and opportunities for banks – what are the opportunities for community banks to add technology services while maintaining relationship banking?

Cybersecurity is a top concern for community banks in our annual survey. What is being done to protect them from breaches, and how can state and federal regulators cooperate effectively to help? I can tell you that cybersecurity is always on the agenda when state banking commissioners meet through CSBS – it keeps us awake at night.

We heard this week about challenges that minorities encounter when applying for mortgages. It raised a lot of good questions. I think we should all be leaning into the question of how to remove the barriers for borrowers and ensure equal access to credit.

The students in yesterday’s case study panel really impressed me. They recognized the difference that F&M bank made during the pandemic – not just to its customers, but to others in its community. It makes me wonder, would the paycheck protection program have worked without community banks?
It goes back to why John Ryan cared so much about this conference – it truly illustrates how vital community banks are to their economies and to U.S. financial system.

The community banking model must continue, but it will face changes and challenges, and we all need to be ready to adjust. As we close out the tenth annual community banking conference, we have to look forward not just to next year, but the next decade.

As Bill Gates wisely said, “We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction.”

So, let’s go forward, all of us, in providing research on how community banks will evolve and what regulators and policymakers need to do to allow that to happen.

And now to announce the winning paper for the "John W. Ryan Award for Most Significant Contribution to Community Banking Research.”

The Community Banking Research Conference research committee is pleased to announce that it has selected “Bank Loan Markups and Adverse Selection.”
The authors of the winning paper are:

- Mehdi Beyhaghi, Federal Reserve Bank of Richmond
- Cesare Fracassi, University of Texas at Austin and
- Gregory Weitzner, McGill University, Montreal, Canada.

Congratulations on being the first recipients of this award dedicated to John.
Thank you all for attending, and I look forward to seeing you next year.
And now, back to Jim.

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