



## **2019 National Survey of Community Banks**

Thank you for agreeing to participate in a brief survey being conducted by the Survey Research Institute (SRI) at Cornell University on behalf of the state banking regulatory agencies and the Conference of State Bank Supervisors (CSBS). The purpose of the survey is to give researchers and policy makers an opportunity to hear directly from community banks on a range of important topics. Results from the survey will be compiled and presented during the 7th annual *Community Banking in the 21st Century* research and policy conference, which is being held October 1-2, 2019, in St. Louis, Missouri.

The survey will take approximately 20 minutes to complete.

To complete this survey, **you will be required** to provide your FDIC certificate number. If you do not have your FDIC certificate number readily available, you can search for it at the following FDIC web site: <https://research.fdic.gov/bankfind/>

The information you provide is being collected for research purposes only. Your bank ID will not be made available to the public, nor will any demographic information that can associate your responses to your institution.

Before you begin, you may want to gather the following information:

The amount of 2018 costs for the following items and the amount of each item that is directly associated with regulatory compliance (Schedule RI-E):

1. Personnel expenses
2. Data processing expenses
3. Legal fees and expenses
4. Accounting and auditing expenses
5. Consulting and advisory expenses

**Survey**

1. What is your FDIC certificate number?
2. What is your title?
3. Where does the competition for the following products primarily come from?  
(Applies to both bank and nonbank institutions.)

(A) Product or Service	(B) Institutions with a headquarters in our market	(C) Institutions with branches or satellite offices, but no headquarters, in our market	(D) Institutions with neither a headquarters nor any branches or satellite offices in our market	(E) Does not apply
Small business loans				
Commercial real estate loans				
1-4 family mortgage loans				
Agricultural loans				
Small-dollar unsecured loans				
Transaction Deposits				
Non-transaction Deposits				
Payment services				
Wealth Management/ Retirement Services				

**4. Please indicate your institution's intentions in regards to the following financial products or services:**

(A) Product or Service	(B) Currently offer and will continue to offer	(C) Currently offer but plan to exit or substantially limit in next 12 months	(D) Do not offer and <u>do not</u> plan to offer in next 12 months	(E) Do not offer but plan to offer in next 12 months
Reverse mortgages				
Small Business Administration loans				
Small-dollar unsecured loans				
Online loan applications				
Online loan closing				
Automated loan underwriting				
Electronic bill presentment or payment				
Mobile banking				
Stored value / prepaid cards				
Cash management services				
Remote deposit capture				
Interactive Teller Machines (ITMs)				
Payroll cards				
Money remittance services				
Wealth management services				
Personal financial management tools				

*After finishing the above matrix, for any products where the answer is C (“Currently offer but plan to exit or substantially limit in next 12 months”), the respondent will get the following question:*

Which of the following most accurately describes the reason for **exiting** \_\_\_\_\_ in the next 12 months?

- A. Contracting market
- B. Competition in market is intensifying
- C. Lack of profitability
- D. Match the competition
- E. Increase in regulatory cost
- F. Other [Please explain]

*After finishing the above matrix, for any products where the answer is E (“Do not offer but plan to offer in the next 12 months”), the respondent will get the following question:*

Which most accurately describes the reason for **entering** \_\_\_\_\_ in the next 12 months?

- A. Expanding market
- B. Competition in market is weakening
- C. Profitability
- D. Match the competition
- E. Decrease in regulatory cost
- F. Other [Please explain]

If the respondent answered “Currently offer” to “online loan applications, automated loan underwriting or online loan closing” (in question 4) then ask the following question:

**5. With respect to online loan products, my bank relies on “in-house” technology:**

*[Likert scale: Never, Rarely, About Half the Time, Usually, Always]*

If the respondent answered “Currently offer” to any of the other digital services, in question #4 [electronic bill presentment or payment; mobile banking; stored value/prepaid card; remote deposit capture; interactive teller machines], then ask the following question:

**6. With respect to non-lending digital banking products and services, my bank relies on “in-house” technology:**

*[Likert scale: Never, Rarely, About Half the Time, Usually, Always]*

If the respondent answered “Currently offer” to any of the digital services at all in question #4 [i.e. if they were eligible to answer either question 5 or 6 above], then ask the following question:

**7. With respect to outside providers of digital banking products and services, our bank:**

- A. Does not have, and is not seeking, relationships with outside providers
- B. Does not have, but is seeking, relationships with outside providers
- C. Has adequate relationships with outside providers
- D. Has relationships with outside providers but is seeking to scale them back
- E. Has relationships with outside providers and is seeking to expand them

Ask **all** respondents the following:

**8. Do you currently have any loans that reference the London Inter-bank Offered Rate (LIBOR)?**

- A. No, we do not have a variable-rate loan portfolio
- B. No, none of our variable rate loans currently reference LIBOR
- C. Yes, we have a limited exposure
- D. Yes, we have a moderate exposure
- E. Yes, we have a significant exposure

If the respondent answered C, D or E above, ask the following:

**Which of the following most closely describes your bank’s readiness to transition away from LIBOR by the time it is phased out in 2021?**

- A. We have not started planning for the transition away from LIBOR
- B. We are in the discussion and planning phase
- C. We have a plan in place for replacing LIBOR by the time it is phased out

**9. Please indicate your institution’s intentions in regards to the following wholesale funding sources:**

(A) Wholesale Funding Source	(B) Currently utilize and will continue to utilize at or near current levels	(C) Currently utilize and will expand utilization in the next 12 months	(D) Currently utilize but plan to exit or substantially limit in next 12 months	(E) Do not utilize and <u>do not</u> plan to utilize in next 12 months	(F) Do not utilize but plan to utilize in next 12 months
Brokered Deposits					
FHLB Advances					
Public Funds					
Other borrowed money					
Discount Window Advances					
Federal Funds Purchased Repurchase Agreements					
Listing service deposits					

**10. Which of the following best describes your bank’s views on the creation of a separately branded online-only division (i.e. a “micro-bank”) to attract loans and/or deposits?**

- A. We currently have an online-only division
- B. We have discussed an online-only division but have not yet decided whether to implement it
- C. We plan to start an online-only division
- D. We have no plan to start an online-only division

**11. At my institution, core deposit growth is currently prioritized over loan growth:**

*[Likert scale: Never, Rarely, About Half the Time, Usually, Always]*

**12. How important is each of the following potential impediments to attracting and retaining core deposits?**

- A. Market competition
- B. National rate cap
- C. Depopulation
- D. Other changes in market demographics
- E. Capital constraints

*[Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important]*

**13. What are the most promising opportunities facing your bank regarding sources of funds? [Open-ended]**

**14. What are the most difficult challenges facing your bank regarding sources of funds? [Open-ended]**

**15. How important is the adoption of new or emerging technologies to meet customer demand in your market?**

*[Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important]*

**16. How important is it to be a leader in new or emerging technology adoption to meet customer demand in your market?**

*[Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important]*

**17. What are the most promising opportunities facing your bank regarding new technology? [Open-ended]**

**18. What are the most difficult challenges facing your bank regarding new technology? [Open-ended]**

**19. Please indicate the extent to which the changes brought about by the “Tax Cuts and Jobs Act” have affected the following in 2018:**

- A. Small business and commercial loan demand
- B. Mortgage loan demand
- C. Consumer loan demand
- D. My bank’s willingness to purchase tax-exempt securities from local governments
- E. My banks’ willingness to make tax-exempt loans to local governments
- F. My bank’s willingness to extend other types of loans (e.g., small business, consumer, mortgage)

*[Likert scale: Significantly Decreased, Decreased, No Impact, Increased, Significantly Increased]*

**20. Which of the following most closely describes the current status of your efforts for transitioning to the Current Expected Credit Loss (CECL) methodology?**

- A. We have not started
- B. We are in the discussion and planning phase
- C. We are in the data collection and analysis phase
- D. We have selected an approach and are in the testing phase
- E. We can reasonably estimate financial impact

**21. Will the implementation of CECL require you to employ a larger staff than you would need in the absence of CECL?**

- A. Yes
- B. No
- C. I don't know

**22. Which statement best describes your bank's data needs regarding the implementation of CECL?**

- A. My bank has adequate internal data
- B. My bank will need to acquire data externally
- C. I don't know

**23. Of the items listed below from call report Schedule RI-E, please provide data on how much you spent on each item in 2018 and then indicate how much of the cost for each item was associated with regulatory compliance (thousands of dollars):**

(A)	(B) Total dollar amount spent in 2018 (in thousands)	(C) Estimated dollar amount (from Column B) associated with regulatory compliance (in thousands)
Personnel expenses (salary and benefits)		
Data processing expenses		
Legal fees and expenses		
Accounting and auditing expenses		
Consulting and advisory expenses		

**24. What regulatory trends do you find to be the most encouraging? [Open ended]**

**25. What regulatory trends do you find to be the most discouraging? [Open ended]**

**26. Have you received and seriously considered accepting an acquisition or merger offer in the last 12 months?**

- A. Yes
- B. No

If answer is "Yes" then ask:



**27. How important were the following factors in your decision to seriously consider accepting the acquisition or merger offer?**

- A. Succession issues
- B. Costs of dealing with regulations
- C. Inability to achieve economies of scale
- D. Excessive costs of doing business
- E. Opportunity to start a de novo bank

*[Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important]*

**28. Have you made an offer to a target institution in the last 12 months?**

- A. Yes
- B. No

If answer is "Yes" then ask:

**29. How important were the following motivations to make the offer?**

- A. Succession issues
- B. Desired entry into a new market
- C. Expand within existing market
- D. Capture abilities of bank managers
- E. Exploit underutilized potential
- F. Achieve economies of scale

*Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important*

**30. How important are the following risks facing your bank today?**

- A. Credit
- B. Market
- C. Liquidity
- D. Cybersecurity
- E. Management Succession
- F. Board Succession
- G. Operational (excluding Cybersecurity and Succession)
- H. Bank Secrecy Act
- I. Consumer Compliance/Fair Lending
- J. Compliance (excluding BSA and Consumer)
- K. Legal (excluding compliance)

*[Likert scale: Not Important, Slightly Important, Moderately Important, Important, Very Important]*

## **Questions to Support the Development of the Index of Community Bank Sentiment (ICBS)**

In 2018, the Conference of State Bank Supervisors commissioned the development of the Index of Community Bank Sentiment (ICBS) in order to measure changes in community bank sentiment over time. The following questions have been designed to support its creation.

- 1. How do you expect business conditions in your market to change over the next 12 months?**
  - A. They will be better than today
  - B. They will be the same as today
  - C. They will be worse than today
  - D. I don't know
  
- 2. Where do you anticipate Federal Reserve monetary policy will be 12 months from now?**
  - A. It will be tighter
  - B. It will be the same
  - C. It will be looser
  - D. I don't know
  
- 3. How do you expect the regulatory burden on your bank to change over the next 12 months?**
  - A. It will get heavier
  - B. It will be the same
  - C. It will get lighter
  - D. I don't know
  
- 4. How do you expect your bank's capital expenditures on facilities or operations to change over the next 12 months?**
  - A. They will be higher
  - B. They will be the same
  - C. They will be lower
  - D. No expenditure planned
  - E. I don't know

- 5. Do you plan to make any capital expenditures to improve your bank's facilities or operations over the next 12 months?**
- A. Yes
  - B. No
  - C. I don't know
- 6. Overall, is the current period a good time to expand your Bank's operations?**
- A. Yes, branches, ATMs, ITMs, etc.
  - B. Yes, improved systems
  - C. Yes , to both A & B
  - D. No
  - E. I don't know
- 7. How do you expect your profitability to change over the next 12 months?**
- A. It will be higher
  - B. It will be the same
  - C. It will be lower
  - D. I don't know
- 8. Which of the following is most likely to have the biggest influence on your bank's profitability over the next 12 months?**
- A. Loan rates
  - B. Operating costs
  - C. Loan demand
  - D. Regulatory costs
  - E. Cost of funds
  - F. Other [Please explain]

**9. What is the single greatest challenge facing your bank today? (select one)**

- A. Regulation
- B. Competition
- C. Cost of technology
- D. Business conditions
- E. Loan demand
- F. Cost of funds
- G. Core deposit growth
- H. Attracting/keeping qualified employees
- I. Other [Please explain]

**10. How do you expect the franchise value of your bank to change over the next 12 months?**

- A. It will be higher
- B. It will be the same
- C. It will be lower
- D. I don't know