VIEWS & VISIONS

A publication of Bowles Rice LLP

Spring 2016

Community Banking – It's a Wonderful Life

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Donna Tanner has been executive director of Community Bankers of West Virginia since April 1999. She is a past chairman and current member of the Council of Community Bank Associations and has served on several ICBA committees. She currently serves on the ICBA Bancard board of directors and the Barret School of Banking Board of Regents.

Ms. Tanner is a 2011 graduate of Leadership West Virginia.

Prior to her career with Community Bankers of West Virginia, she was an associate agent and administrative assistant with Northwestern Mutual Life for 14 years. She worked closely with Northwestern Mutual's home office to develop and implement staff training curriculum.

Ms. Tanner is a past board member of the Southern West Virginia YMCA.

"It's a wonderful life."

CBWV Community Bankers *of* West Virginia
One Mission. Community Banks.®

We all know the story of George Bailey and Mr. Potter and the struggles Bailey's bank faced, up to potentially becoming extinct. In this movie, there are two storylines: the struggle to remain relevant, but also the portrayal of what a "community bank" looks like and what community bankers do. Fast-forward to today. Not much has changed. Community banks and their "main street bankers" are just as invested into their communities as George, and strive to make their communities a better place to live. They accept local deposits and invest these funds back into their towns to create economic growth. Community bankers are under constant pressure, like George, from the regulatory burden that is all too present today. Much has been stated about this regulation or that regulation, but in reality it's not one regulation, it's more like "death by a thousand cuts."

We may ask, "What is a community bank?" Depending on which side of the table you sit, your definition may vary somewhat, but essentially most of the state-chartered banks in West Virginia today are, indeed, community banks and face the same regulatory burden.

Today, among the many issues we face is the most recent enactment of the Dodd-Frank Act. This regulation, a direct result of the financial crisis, placed significant pressures on community banks. While the acts of community bankers didn't create the crisis, they, along with their business models, came under attack. Fighting this regulatory sea change, along with proposed changes in loss reserve calculations being proposed by FASB (Financial Accounting Standards Board) under CECL (Current Expected Credit Loss), is one of the reasons The Community Bankers of West Virginia (CBWV) and the national trade group, The Independent Community Bankers of America (ICBA) exist today.

On the state level, CBWV's charge is to protect the state's community bank franchise. However, in reality, most of our issues reside at the national level, and this is why CBWV partners with ICBA to effect change: change that can take place in enacting legislation, defeating legislation or in a specific regulation, as was the case in Dodd-Frank. Today, due to our efforts, there has been a monumental change in how the FDIC assessment is calculated that has resulted in substantially lower FDIC insurance premiums for our members, as well as a permanent increase in the deposit insurance coverage.

As we consider the initiatives for 2016, CBWV, working with ICBA, will be addressing some of the following issues:

CECL – A delegation of ICBA community bankers met with the Financial Accounting Standards Board on widespread concerns about FASB's controversial proposed accounting reforms. ICBA and the nation's community bankers are calling on FASB to pause the standard-setting process until these concerns have been fully explored and remedied.

Payment Systems Access and Governance – With the evolution of Apple Pay, Google Wallet and other alternative forms of electronic payments, collectively, we will be working to ensure that community banks have an opportunity to compete in this changing payment system.

Cybersecurity – CBWV and ICBA support legislation, frameworks and standards that enhance cyber security and recognize the standards and practices banks use to protect the confidentiality and integrity of personal data.

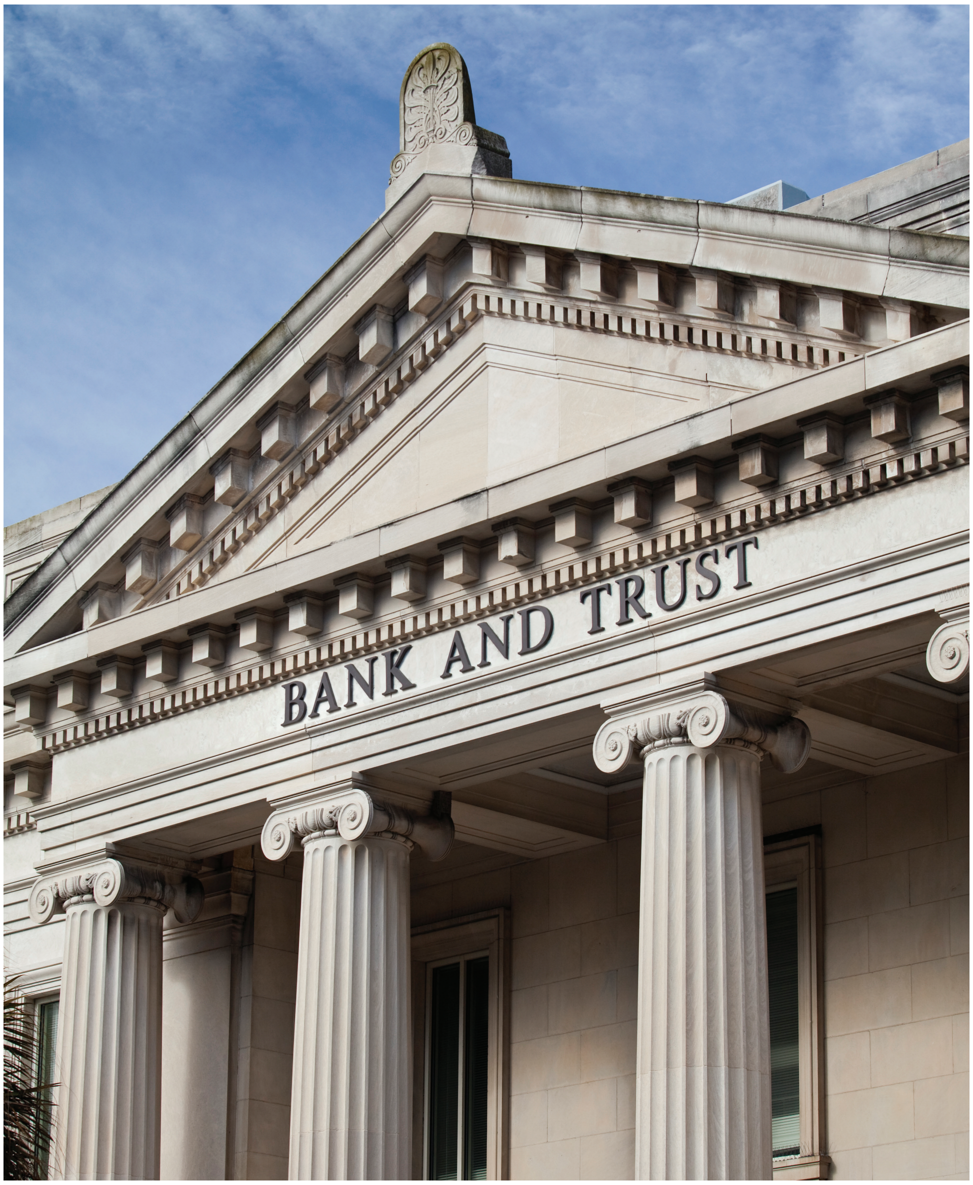
Mortgage Lending Reform – *Escrow Requirement* – The Consumer Financial Protection Board's (CFPB) final escrow rule defines the exemption for rural lenders too narrowly. ICBA is working to have the CFPB provide an exemption for community bank mortgage loans held in portfolio. ICBA supports a legislative exemption from any escrow requirements for any first-lien mortgage held by an insured depository with less than $10 billion in assets.

Mortgage Servicing – The CFPB's final servicing rule, released in January 2013, exempts servicers that service 5,000 or fewer loans from some, but not all, new requirements. ICBA advocates legislation that would increase the statutory exemption threshold to 20,000 mortgages.

Credit Unions and Farm Credit System Lenders – ICBA and CBWV will continue efforts to block legislation or regulation that would expand credit union commercial lending power, allowing credit unions to raise supplemental capital and expand their field of membership. Work continues to significantly reform Farm Credit System institutions to keep them from becoming the equivalent of commercial banks, but with credit union-like tax exemptions and the inherent advantages of government-sponsored enterprise status.

Although faced with challenges in 2016, because of the persistence of ICBA and the grassroots advocacy from our community bankers, we closed out 2015 with some great accomplishments in Washington.

Congress enacted some provisions in the "highway bill" that now allows for an 18-month examination cycle for CAMELS 1 and 2 rated banks with up to $1 billion in



assets. This bill also eliminates community banks' requirement to mail the annual privacy notice if their policies haven't changed and they do not share information outside one of the statutory exceptions. Also included is a measure to make it easier for community banks with assets less than $2 billion to qualify as "rural lenders" under the qualified mortgage rules by eliminating the requirement that they lend "predominantly" in rural areas.

Another victory included the Federal Reserve stock dividend reduction provision in the final highway bill, which exempted community banks with less than $10 billion in assets and pegged the reduction for banks with more than $10 billion to the 10-year Treasury note rate, rather than reducing it to a flat 1.5 percent.

The successes shared in 2015 were due to the efforts of ICBA, CBWV and **our community bankers**. None of this would have happened if we didn't have a seat at the table. With the continued support and involvement of our members, we can achieve great things in 2016.