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MORNING SESSION

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>> ERIC ROSENGREN: I think we're going to get started. It is 9:00. We want to make sure -- we have a number of sessions. We want to make sure that we stay reasonably on time.

I just would like to highlight that while many of the regulators that are at the front table are living in Washington right now, many of them have Boston roots. The Boston touch can be told by the decision to actually have the meeting today. Two weeks ago we still had snow on the ground. Last week when I was going up to Maine on 128 it was snow flowing even though it was just flurries, by choosing this date we were reasonably confident we wouldn't have to worry about snow as people were coming in and going out. To know Boston is to know that spring is not counter driven but data dependent.

Welcome everyone. Thank you for being here. I have met with a wide variety of bankers in the last several weeks and there is a lot of interest in these hearings and I'm looking very much forward to hearing people's descriptions of weighing the costs and benefits of regulation. I think there is a growing concern among community bankers, that we set the appropriate balance. There is a concern that sometimes large bank concerns are driving community bank regulations. I think this is an opportunity for us to hear some of the concerns that community bankers have.

I would encourage everybody to speak very frankly and to be as specific as possible. As we're thinking about looking through the regulations it really is useful to understand specifically what the concerns are. Every 10 years the regulatory agencies represented at this table get together and take a hard look at the rules and regulations that we have. We think about are there ways to reduce regulatory burden keeping in mind that we certainly don't want to impair the safety and soundness of the system. Today's meeting is the third in a series of six planned outreach meetings, and we're very much looking forward to the comments of everybody in this room. With that, I'll turn it over to get us started with Art.

>> ARTHUR LINDO: Thank you, Eric.

Good morning. I'm Arthur Lindo. A senior associate director for policy at the Federal Reserve Board. I'm moderator for the outreach meeting today. We'll go directly to the opening remarks from the agency principles and the Commissioner of Banks of the Commonwealth of Massachusetts. It is my pleasure to introduce Daniel Tarullo, governor of the Federal Reserve Board. Governor Daniel Tarullo took office in January of 2009 and brings to the Board of Governors practicing and teaching law experience, prior to joining the board he was a professor of law at the Georgetown University law center where he taught courses in international finance regulation, international law and banking law, prior to that, he held several senior positions in the Clinton administration including Assistant Secretary of State for Economic and Business Affairs, Deputy Assistant to the President for Economic Policy and Assistant to the President for International Economic Policy. He is the current chairman of the Federal Financial Institutions Examination Council, known as the FFIAC and the full bio is in the materials.

I'll turn it over to Governor Daniel Tarullo.

>> DANIEL TARULLO: On behalf of the Federal Reserve Board I want to thank you everyone for attending the third in a series of six outreach meetings held as part of the review process of the agency. I want to thank President Eric Rosengren for hosting today's meeting. As you know, regulations applicable are to be reviewed every ten years. These outreach meetings

are designed to hear your comments and suggestions for reducing regulatory burden on insured depository institutions. While the review aims to identify outdated unnecessary or unduly burdensome regulations as they apply to all insured depository institutions, we're especially focused on the burden imposed on smaller depository institutions. I look forward to hearing your views both on issues that have been prominent in the first two meetings, including capital regulation, reporting requirements, appraisal rules and examination frequency as well as on matters that have not received significant attention. In our joint rule makings, the three groups represented here have tried wherever possible to tailor roles for different sizes of institutions and to reduce unnecessary burden on community banks. We hope to use the information gained during these meetings and other outreach efforts to among other things make this tie. Roughing of regulations more apprehensive, having just inherited the chairmanship I hope to help make the review a productive one. All of us on the FFIEC is committed to ensuring that is not a formal bureaucratic exercise. To me, a productive exercise will be one that resulted in changes in regulations and supervisory practices that yield significant reduction in regulatory burden. Especially for smaller banks while still bloating the safety and soundness of insured depositor institutions and protecting the Federal Deposit Insurance Fund and financial stability.

With that, let me turn it back to Art.

>> ARTHUR LINDO: Thank you.

The next speaker is Thomas Curry. Office of the Comptroller of the Currency. Prior to Comptroller, he was a director of the FDIC starting in January of 2004 and as the chairman of the board of directors, prior to joining the FDIC Board of Directors. He served five Massachusetts Governors as the Commonwealth Commissioner of Banks. He served as the Chairman of the Confidence of State Bank Supervisors from 2000 to 2001 and served two terms on the State Liaison Committee of the FFIAC including a term as committee chairman. Again, his biography is in the materials.

I turn it over to Comptroller Thomas Curry.

>> THOMAS CURRY: Thank you.

I would like to thank Eric Rosengren, President of the Federal Reserve Bank of Boston and also all of you who are here today to join us in this discussion about how we can reduce unnecessary regulatory burden on community banks. This is the third hearing that we have held under the statute and both of those previous discussions were vigorous and we're looking forward to a similar engagement here today. Smaller banks, they just don't have the same kind of resources that large institutions can bring to bear on regulatory compliance. If we can eliminate unnecessary rules and streamline others, we can make it easier for the institutions to serve the economic needs of their communities. With this in mind, we expect to have an outreach meeting later this year which will be focused solely on rural banks which face their own unique challenges. Of course, it is true that regulations by their nature carry at least some burden. But what worries me is the way that the regulatory rulebook builds up over time adding layer after layer of requirements that can be quite onerous for small banks. We at the OCC are taking this process very seriously along with other agencies and I'm very interested in hearing from the panelists and members of the audience about specific regulations that are either outdated, unnecessary or needlessly burdensome as well as your ideas for areas of improvement.

While this process will evolve overtime, I can assure you that we at the OCC will not wait until it is over to make changes when a solid case has been made for reform. If it is clear that a regulation is unduly burdensome, if we have the authority to make changes to eliminate that burden we will act. However, many regulatory requirements are Rood in laws passed by Congress and changes may require legislative action. In those cases we will work with Congress to remove unnecessary burden. I would just like to briefly mention that the OCC has advanced three specific proposals from a legislative standpoint to eliminate regulatory burden. Those are first, to extend the examination cycle for well-managed community institutions by raising the threshold, asset threshold from 500 million to 750 million in assets which would affect more than 100OCC supervised banks. Another idea that we have advocated for along with governor Daniel Tarullo is to have a community-bank exemption from the Volcker rule and finally we have developed a proposal to provide federal savings associations with greater flexibility to expand their business model without changing their governance structure.

I think these legislative proposals are meaningful steps which could help a number of small institutions. I would encourage you to take a look at all of these proposals and give us your comments and support if appropriate.

Let me finish by saying that we have much work ahead of us, and I can tell you though that all of us here are committed to making this process work and to doing everything possible to eliminate unnecessary regulatory burden and again, thank you for your time and I look forward to hearing from each of you. High pressure thank you.

>> ARTHUR LINDO: Thank you, Comptroller Thomas Curry.

Our next speaker is Martin Gruenberg, Chairman of the Federal Deposit Insurance Corporation. Chairman Martin Gruenberg was confirmed as the 20th chairman of the FDIC in November of 2012. He served as Vice Chairman and member of the FDIC Board of Directors from August, 2005 until his confirmation as chairman. He also has a broad congressional experience including serving as senior council to former Senator Paul Sarbanes on the Senate Banking Committee and served as chairman of the Executive Council in International Association of Deposit Insurers for many years. His full biography is in your materials.

I turn the podium over to Chairman Martin Gruenberg.

>> MARTIN GRUENBERG: Thank you.

I suppose the first question I should ask is what is a nice boy from the Bronx doing in a place like this?

>> (Laughter remember.

>> MARTIN GRUENBERG: I should point out to President Eric Rosengren that not all federal regulators from financial institutions are from Boston. I'll be gracious enough not to mention what occurred in to the Yankees, Red Sox series this past weekend.

>> (Laughter).

>> MARTIN GRUENBERG: It is a pleasure for me to be here. Let me begin by thanking President Eric Rosengren and the Boston Fed for hosting us here today and to thank our panelists, the first panelists and the others that will be taking part and sharing their views with us.

This is the third of six outreach sessions, the first two were in Los Angeles and Dallas and we're going to have additional sessions in August as Comptroller Thomas Curry pointed out on rural banks and then finally in Washington DC in December. This really is -- I think it reflects a very serious effort by the responsible regulatory agencies to hear the views of bankers and consumer groups and other interested parties from around the country as part of this review of regulatory burden that's required.

I think the focus, priority the agencies are giving to the process this time around is one of a great seriousness and purpose and I think there will be significant outcomes both in terms of proposed changes through regulation as well as proposals we have made to Congress for legislative action.

It is really a pleasure for me to participate. This is -- I attended the previous two sessions in Los Angeles and Dallas. Fair to say, that there were some common themes, issues that were repeatedly mentioned. It seemed to me among the issue areas, broad issue areas that gained the most attention were probably the capital rules, the bank secrecy act rules and the mortgage rules. If I had to identify three areas of regulation that were particularly the focus of can comment and interest it would probably be those three and in terms of specific concerns raised, if I had to identify three, it would probably be issues surrounding the call reports, as Comptroller Daniel Tarullo mentioned, the frequency of exams, if adjustments were made in the thresholds relating to the frequency of exams and finally this issue, this so-called issue of trickle down that the agencies were imposing regulations for the larger institutions that were trickling down and being imposed on the smaller ones. I think that the clear focus of this exercise is particularly both as Governor Eric Rosengren and Daniel Tarullo pointed out, particularly the impact on community banks in recognition of the challenges that they face in utilizing their resources to meet their regulations. This is of particular focus of attention for us.

I very much look forward to the comments today. Like the other agencies, we have not -- are not waiting for the end of this process to begin making changes. We have already implemented some. I won't go through them with you this morning. We will take the opportunity to act as we move along, and it is my expectation we'll have a meaningful set of outcomes, both regulations and legislative proposals to make at the end of this process.

Thank you.

>> ARTHUR LINDO: Thank you, chairman Martin Gruenberg.

Our next speaker is David Cotney, Commissioner of Banks for the Commonwealth of Massachusetts. Commissioner David Cotney took office in November of 2010 and is an active contributor to consumer protection efforts both in Massachusetts and nationally. He serves as a member on the treasurer task force on financial literacy and was previously on the board of the Massachusetts Financial Literacy Trust Fund. In 2013 he was elected chairman of the State Liaison Committee of the FFIC. Again, his biography is in your materials.

I'll turn it over to Commissioner David Cotney.

>> DAVID COTNEY: Thank you.

Good morning. Thank you to all of you for attending today's outreach meeting, certainly thank you to President Eric Rosengren and the Federal Reserve Bank of Boston for hosting. Welcome to everyone coming from out of town to Boston.

As Art pointed out, I don't think I have to spend time welcoming either Comptroller Daniel Tarullo or Eric Rosengren and after this weekend my friend from the Bronx made himself quite at home or should feel like home at this point.

So, as Art mentioned, I have served for the last two years and as of the end of April concluded my term of the state liaison committee of the FFIAC and through the State Liaison Committee my fellow state regulators and I have been involved in the review process and the planning associated with these outreach meetings. We very much appreciate your participation in the process.

EGRPRA was important as we mentioned, this is a review process required of the FFAIC and the three federal banking agencies, the purpose of which is to review, to identify outdated, unnecessary or unduly burdensome regulations and to consider how to potentially reduce regulatory buffered or unnecessarily regulatory burden on banks without adversely affecting the consumer protection. This is on an important process to ensure that our community banking system can thrive. As was mentioned, we have literally thousands of pages of regulations that have evolved over the decades. Many of which came about as a result of Congress passing a law, oftentimes as a result of some crisis and then the regulators responded with regulations, each of which independently made perfect sense at the time that they were issued. However, it is important for us to look at the cumulative impact of these layers of regulations and how they may be streamlined to make them a more coherent regulatory system. Policymakers and regulators need to step back to understand the full impact of legislation and regulation upon the financial system as a whole and how to achieve supervisory model that is appropriate for the diverse business models of the industry. Such a model allows banks to serve their customers, small businesses and local and state economies. This is the real strange of our financial system and our economy.

This outreach meeting and the review process are key to informing regulators and Congress of areas where improvement to the regulatory framework can be made. Your input to this process is essential. I would like to, as my fellow regulators have done, to take a moment to just mention a couple of areas that have come out of the EGRPRA process to date and offer a few thoughts of my own.

Before I do that, just mention that certainly there had been efforts by Congress and federal regulators to address the issue of burden on community banks, and I applaud each of them for it. There is a recognition that regulations need to differ between the largest, most complex financial institutions and those of community banks with a very different business model.

While I applaud both Congress and the federal regulators for doing this, oftentimes this is taken on a regulation by regulation approach and certainly one of the things that my fellow state bank regulators and I advocated for was the hole living approach of looking at precipitation -- a holistic approach of coming up with a widely accepted definition of what is a community bank and then rather than a regulation by regulation approach to a tiered system or exemption to making it a much easier, streamlined process.

In doing so, recognizing the unique qualities much community institutions that are locally based, locally managed, and have a unique understanding of their local communities.

In terms of a couple of areas that came out, and I'll certainly echo the comments that have been made on the exam cycle, there had been proposals to both raise the asset threshold for the examination cycle being extended from 12 to 18 months, and extending the examination cycle from 12 or 18 months all the way out to 24 months. I think that regulators, certainly state regulators have concerns about going out to 24 months that would also run counter to many state laws which do not allow foregoing out to the 24-month benchmark. However, I think that we're very supportive of the idea of extending the examination cycle from 500 million which was set nearly 20 years ago up to as the Comptroller mentioned, 750 million or as much as a billion dollars which would provide some welcome relief for many financial institutions which do not pose undue risk.

As was also mentioned in terms of the Volcker rule, looking at whether or not there may be an appropriate exemption either based on asset size or based on activity.

Then, as I said, I would like to just mention a couple -- those two areas would require congressional action, but we're here today to also talk about, you know, what can the regulators do and I think that it certainly is ripe for action as I said, the purpose of EGRPRA is to look for outdated, duplicative, unnecessary burden, I will just offer a couple of examples. First of all, on the area of disclosure and reporting, I would certainly advocate that that be looked at across the board.

One specific example, I'll just point to part 363 of the FDIC rules, which require each depository institution to file two printed copies of the annual report with the FDIC as well as the

OCC of its national charter, state or reserve if it is a member bank. We have 145 banks in Massachusetts, including 125 state chartered, 20 federal, those 145 banks have to file at least 632 paper copies of their reports with various regulators, including 250 copies with my office and my staff love getting those paper reports every year right about this time of the year.

In this digital age, I would say that this and other types of disclosure requirements and reporting requirements to the federal regulators are perhaps outdated and costly, electronic copies in this area, in this day and age I think would be a welcome thing for the industry, certainly welcome at my division and more expedient for the bank.

There are also a legal notice requirements, that each of the agencies have, I would say that based on whether a merger, acquisitions, opening, closing branch, et cetera, given declining circulations of traditional print media, this may be an appropriate time to consider a more modern means of giving notice to customers and communities of pending applications ways that could be a direct benefit without sacrificing consumer protections or safety and soundness. Lastly I'll mention community reinvestment act, certainly something near and dear to my heart, where I started my career as a community reinvestment act examiner. The last major rewrite of the CRA was 20 years ago. Since that time, both the financial services industry and the needs of communities that they serve have changed dramatically.

The federal agencies have signaled that it is time for an update of the rules. Five years ago they held a hearing on CRA and at the time former Commissioner of Banks testified, offering suggestions for improving and updating the federal CRA regulations, drawn from the Massachusetts experience which CRA -- which by the way, predates the federal regulations and the federal law -- and his suggestions five years ago I think remain as relevant today as they did back then. Among those were that standards for the largest financial institutions for this country should be raised substantially, and that the burden on the smallest financial institutions, banks which did not engage in the same risky behaviors as the big banks should be streamlined to reflect their emphasis on local lending. I would certainly urge the federal agencies to modernize the CRA regulations in a way to reflect the needs of 21st century communities and in doing so to ensure that the standards were appropriate so that the largest banks in the country are not examined once every five years, which is less often than some of the smallest community banks here in Massachusetts. Again, I want to conclude my remarks thanking my federal counterparts, I think that the FFEAC and the federal agencies are putting in significant time and resources to meet both the letter and the spirit of EGRPRA. This is not a check the box approach. I have heard that there were a lot of effort but not a lot of results of ten years ago, what I have seen and heard is a real commitment on the part of the federal agencies and I think that that is evident today by the attendance of governor Daniel Tarullo, Thomas Curry and I want to thank you each and look forward to the comments today. Thank you. Arthur Lindo thank you, commissioner.

In terms of today's program, we're looking for comments, feedback, and we're looking for input on specific regulations that we can address to reduce regulatory burden while at the same time maintaining a safe, sound financial system in the United States. We have four panels in today's program to address the regulations identified in our EARPRA review, each panel list will make introductory remarks and then we'll engage in a panel discussion. After each panel, we'll give the audience members an opportunity to provide additional input. I would ask members of the audience who wish to make comments to use the microphones provided to enable those in the room as well as those on the webcast to hear your comments.

At this time we're going to move to our first panel discussion, which will cover the areas of capital-related issues, CRA, consumer protection, directors, officers and employees regulations. My colleague Maryann Hunter who is currently the deputy director of the division of bank supervision and regulation at the Federal Reserve Board where she is responsible for Federal Reserve programs for supervision and risk management and oversees the supervision of U.S. banking organizations and foreign banking organizations operating in the U.S. will be the moderator.

I'll turn the program over to you.

>> MARYANN HUNTER: Thank you.

I'm delighted to kick off with our first panel of the day. I know we'll have some interesting discussion and comments offered. As mentioned, our topic on this panel is capital-related rules, banker perspectives on the community reinvestment act, I know we have another panel that will get community group perspectives, consumer protection laws and regulations effecting directors, officers, employees such as regulation O or other requirements for directors. I'll make some brief introductions and then we'll get started.

I know we're eager to hear from the bankers. On the panel today we have first

Kristin Carvalho, President and CEO of the Milford national bank and trust company and that's a national bank just under 300 million in assets and I know all of the information about bios, it is in your information but I'll highlight a few things. She started as a teller and customer service representative and has experience in lending in both large and small institutions and is very active in the Massachusetts bankers and legislative liaison committee as well as many other community service organizations.

To her left, Thomas Leavitt. Thomas Leavitt is President and CEO of the Northfield Savings Bank in Northfield, Vermont. Tom recently joined that bank as President and CEO, it is an 800 million institution and examined by the FDIC. Tom has previous experience in Mountain One Bank and North Adams in North Adam, Massachusetts and Holding Company and several other community banks. Plus he also has experience in non-financial industries and can bring that perspective to our panel.

Third we have Michael McCurdy. Mike is a general counsel and chief risk officer of Brookline Bancorp in Boston. Brookline Bancorp is a 5.7 million institutions, slightly larger and publicly traded, you have a host of other requirements that you may be able to shed light on how that plays into banking regulations as well. Before joining Brookline Bancorp he was EDP and general counsel in several other organizations, one regional, then other community organizations. Mike is involved in the Massachusetts Bankers and ABA and very active in the Boston Future Leaders Program and other non-profits in the Boston area. And I'll mention he's a lawyer as well. He can bring that perspective.

Finally, Julieann Thurlow, President and CEO of Reading Cooperative Bank, 470 million-dollar institution with eight branches. Julie is also a commercial lender by training, formally worked for the FDIC. A good career path there. And is also a board member of the Bankers Bank in the Northeast and Cooperative Central Bank. I suspect you'll hear from a number of institutions, their perspectives as well. She serves on the advisory council, and so I know that we appreciate what you're going to share with us here today.

Thank you to all of the panelists for volunteering to share their comments and with that, with that, I'll turn it over to you, to start and to give us your comments.

>> KRISTIN CARVALHO: This is my first attending, being a part of the process. Thank you for the invite, thank you, Tony, hopefully after my remarks I will continue to be invited in the future.

>> (Laughter)

>> KRISTIN CARVALHO: We have been around for a long time. We're a 300 million-dollar bank as mentioned, just under 300 million. The bank was established in 1849. Technically we have -- that's right, that's right. We're receiving an award for 150 years. We're proud of that. We also have a trust department so that's another dimension to our business that's been around since 1926. We do a bit of everything. We have a focus on commercial lending and we will continue to do that. We have built the commercial infrastructure for growth over the past couple of years. We focus on commercial real estate, construction, CNI with a preferred lending status, we worked really regard to get that as well -- really hard to get that as well. We do residential lending, it is a big issue for us and we have the infrastructure in place to continue to do that. We have about a small consumer lending component of the business, but not all that much. In addition to the 300 million at the bank level we have 150 million under the trust side, 5 locations, 70 employees, we are locally owned, we have one primary shareholder and 99 others from the community as primarily in which we serve, not only do we serve the communities but we have the local ownership as well, we're proud of that fact.

I think when I was thinking about my remarks about the bank objectives and the regulator objectives, I think we all have a common purpose, we need to be on the same page I think. I would also -- there is noggin nova active in my remarks, nothing that a lot of us have not already thought about, talked about, but I would like to share specifics on how some decisions affect us on a daily basis and continue to do so. I also would ask you to please be perspective -- I'm not saying you're not, however, when looking at the regulations, is it really needing to have new ones, I mean, really? And do they need to be in addition to or perhaps instead of may be a better approach. To existing regulations need to be expanded, usually not. Particularly at the level of my company.

As we look at the capital related rules, now I will say I want -- won't disclose anything confidential, I know this is being taped and I have been advised not to do so, I won't do that. However I will say that at the time that I stepped up as the President of the bank we were under a formal agreement with the OCC. Thank you again, Tony, I think I meant to say that. Tony took care of us. Actually, catapulted the bank in the right direction. When I look back at where we were and where we needed to be, there was a big divergence, it was a good thing for the bank. I say that today, I didn't say that at the time.

Looking at capital related rules, for us, for a lot of other folks, even though we have access to capital, capital is really, really premier and as a matter of fact, as I look at planning both -- five year planning, the starting point is how much capital do we have to work with and we work backwards from that, 2014 was a great year, we had solid growth and performance, we exceeded the budget and we grew our portfolio by design, not by mistake. Having said that, our primary shareholder is concerned about delusion, which is a legitimate concern. We did a successful venture raise and the bank was at a different place and it was very successful despite that. What brought us in the planned growth was additional stress testing associated with the commercial real estate portfolio, both levels and a multiple scenario, one with quarterly review, a quarterly review of the portfolio in accordance to the guidelines and present it to the board and we have done so in access of 3 years, we hit the 300% concentration this year for 2015 but that also brought an independent review of the portfolio which was already being stress tested at the loan level and has been for 3, 4 years and being presented the stress components under the OCC guidance to the board for three years and an independent review twice this year and twice going forward, just that action alone was an additional 10,000 in cost, it doesn't sound like a lot but when you say 10,000 and then 20,000 there, 25 there, it adds up quickly. Keep in mind, we also in looking at growing the portfolio, we did what was prudent in that we added people and portfolios before growing the portfolio and then we were criticized for the earnings compression, on one hand we continued that course because we thought it was prudent and continued the course of building the real estate portfolio because we thought it was prudent. And we'll do that in light of the compliance concerns and the output concerns. Having said all that, just that one stress test with everything else, it was an additional 10,000 this year and that will continue to rise going forward. We expanded our capital plan at the request of the OCC which we did not dispute, however, increased took me a lot of time to do that, as our CFO, took us off point with other things, responsibilities at the bank. We had an investment banker independent that we engaged to help us with the planning documents, and we have many. That was an additional cost to the bank as well. All to satisfy the guidance in particular. Just to give you an example. The other issue, the treatment and some concerns in terms of the changing guidance, depending on the day, who I spoke with at the bank, the position changes but I think that the capital treatments, the ventures, it is important, it is important to allow community banks, particularly at our level to continue to be able to raise capital using this instrument because it helped us be successful. I have some concerns, we have a robust triple L as a result of the growth and we thought that was important. At the expense of earnings, but we think that the treatment of the ALL could be a challenge for us as we look at changes forthcoming there as well. Moving on to the CRA side, again, I think the objectives of the bank and regulators should be the same in terms of CRA, we have done a solid job in serving our community for 150 years. CRA guidance is not going to change with what we're doing and trying to accomplish. We have an outstanding status of a smart bank which we achieved in 2013. We're proud of that, I have gotten a lot of PR and it is really good on that side. I think that's about it though.

Not being mean, just -- I'm trying to take a step back and say, okay, how is that helping us? The public relations has certainly helped us but it has challenged us as we grow, how do we maintain taken that? When it is outstanding, it doesn't matter if we're a small, intermediate bank we'll still have outstanding because you can't lose it when you have it. That's another concern.

Concern we have reached out to friends at the OCC, they have been great, coming to the bank to help us in planning for the next exam. Do we really need to be examined? I don't know. I'm not sure we do. Realistically, the cost associated with that, I think that sometimes the guidance is not clear in terms of CRA, sometimes the playing field is not fair. I did have a comment in my remarks about the credit union, I know credit union, they're in Massachusetts, they're alive and well, that's probably -- we probably don't have time -- we could spend a whole day talking about credit unions concerns. CRA doesn't exist in my world and perhaps it should.

I think also that the guidance needs to be more definitive aside from the level playing field, for example, we're looking as we grow to intermediate banks, what do we do on the investment side? We did do an investment whereby it was not only the yield, it was a challenge but we delayed it back to local community groups, it doesn't help us on the earning side at all. It is the right thing to do, not to say that the bank wouldn't do it under any other circumstances, but it is not because we want to be a good CRA partner in the community, we are.

Also we have a small foundation at the bank and what we moved to was just CRA eligible groups to deploy that foundation money. Is that prudent? Maybe not. We also want to continue to be compliant and keep our outstanding status. I think that the threshold for the intermediate bank is low at 300 million, it should be hire assuming that it continues to remain important.

Moving on to consumer protection, again, another topic that would probably take the whole day to talk about.

Back to my original comments on additional regulations or modifications to the ones that we have, really necessary to protect for the banks to not commit offenses to consumer, I would argue that's not the case at all. I'm not convinced that the -- you take a pause when you look at the regulatory thought process to a till that makes no sense to me. I'm not sure having read that myself I'm not sure it is in English nor am I sure that making it more complicated for consumers actually protects the rights. I don't think -- it is counterproductive to a large degree. We're looking at the residential mortgage business, should we exit that, we're looking very closely at that. I don't think it is good for the community but that's the only thing that's kept us in it without exiting at this point.

We have spent a lot more money on people in automation and making sure we continue to be compliant.

I ask you to take a look at the complicated if, contemplated changes, they're too expensive, too complex, again, results in additional personnel for us to move to be compliant. I ask you to think about the appraisal requirements, we appraise everything, even if it is under 250,000, with some scrutiny on what constitutes an appraisal, the solution is we appraise everything, it is to the cost of the consumer and less competitive for us both, we continue to do it because we think it is best on the compliance side.

As I continue to go through the director officers and employee regulation component I just had a few more thoughts I would like to share. We have 9 directors at the bank. We have had a fair amount of changes at the director level over the past 7 years, including downsizing the board and I don't want to say old, because that offends our senior board members, but we have four senior board members and four new board members, so 4 new, 4 senior, it has been a challenge I think in recruiting new talent and as I take the lead, helping identify new talent as well as looking at technical skills, diversity, a real issue for us, based on the complexity of the business, concerns with personal liability, it is difficult and challenging to get good board members to agree to come to the bank. Certainly it is not about the money, because it is not something that would attract good board members, it is very important as we grow the bank to have folks on the board that can help us with the business and help us, we have been challenged with that and we have made them or I have insisted on them participating in training both provided by the OCC and through the banker association which put a great program in place for director training because there was a lot of need for that. It almost ended up or it did end up the opposite of the objective of what I was trying to accomplish, is that the more they saw, the more concern they got in terms of just the complexity of the business and coming up to speed as quickly as possible, recruiting new talent both at the board level as well as at the bank, there's a management challenge particularly with folks with compliance knowledge just because there is so much to it and finding people that can come to the bank to give us that knowledge, that's a challenge. In terms of the exam cycle, we're in an 18-month exam cycle which is right in the middle of the summer, July 4th, and December. The OCC comes in and as I think a lot of things in the exam cycle works, it works well for us, for three weeks we're at a virtual standstill when OCC comes to the bank. No disrespect intended, we don't do anything else, that's designed, we're preparing now for the return on December of 2015. I think it is good news we have been identified as a bank to host the training teams. We have in some cases I think the last exam we had 14 people at the bank. Put that in perspective for you, we have 40 employees, so for three weeks we have 14 bank regulators at the bank for three weeks. I think that when you look at the time -- I think 24 months is way too short, I think that we should be on a three-year cycle honestly. I don't know how to make that happen that would be fabulous. I think the suites still have work to do in terms of streamlining. I know the OC circles comes in, looks at the entire bank, including trust department every 18 months, it is a lot to do in advance, a lot to do in terms of the training team and a lot to do it. The longer we can go -- and I -- you know, we have quarterly reports, we have had great relationship with the OCC, we give them whatever they want, whenever they want, we talk to them whenever we need to, we continue to maintain that dialogue, relationship because it is important, having an onsite exam is definitely cumbersome for us and we would like to try to revisit that as much as we can. Reports to you, there are too many and they are too frequent. We have quarterly reports as you know, which I think is 98 pages and I know that the OCC did reach out to us to commit as part of the project to streamline that report and the CFO, I don't get into that level of detail, but with two giant binders, both we spent on software, six weeks of concerted effort on the part of me to complete it, file it, we have a quarterly call with the OCC, which is fine, but we also get a list of other reports that we need to send with the division of banks, FDIC, anyone else who wants to listen in addition to the quarterly report. When we have a list of reports that need to be submitted quarterly, there is a problem. Why is there a list of reports that need to be submitted in it is too many on the list. I ask you to please look at those, if someone can use that and streamline, modify the call on a quarterly basis if possible, the full report at the end, that's a great idea based on the institution size and maybe that's a start. The other stuff, I don't know, perhaps everyone else could look into those too. I just send them along, but I send them along for someone to do it at the bank.

I mentioned our planning documents, we also have a list at the Bank of planning documents and policies. Because we have had so many we had to do the list. We have on average 6 to 8 per month I believe. PSA -- give me the word to stop talking!

>> (Laughter)

>> I have five more pages left.

>> There's a written comment process, Kristin --

>> KRISTIN CARVALHO: Those are all coming too! On the safe side, quickly, I'll wrap up, thank you very much for everyone's patience. On the PSA side, we have at 300 million two full time people that do just this and AML. Two full time people plus software. They don't do any other compliance, just this. So even if -- we'll talk about the salaries, benefits, but I hardly think that's necessary. I also think we have been on the receiving end of best practices coming from the larger institutions, so even though -- that's at the hands of our internal audit program and we have a request for proposal, to have the same internal audit for six years, we did not engage the world class provider but we engaged the company that was the best fit that actually had most of the plan based for 500 million and above and we were only 300 million because we were concerned and wanted to be proactive with maintaining our good standing in compliance with things that were forthcoming. That's embedded in our cost structure as well. That's it. Thank you very much for listening. I said I could go on for days, I definitely could. Thank you very much. Thank you.

>> MARYANN HUNTER: We'll move on to Tom. Thank you.

>> THOMAS LEAVITT: Making sure that this is okay. It is an honor to be here representing Northfield Savings Bank, the Green Mountains, the Champlain Valley. I'm grateful for the opportunity to address our nation's top financial regulators and to be back here in the Commonwealth.

During my time leading mountain one bank I valued the association with Massachusetts Division of Banks under Commissioner Cotney, a few words about EGRPRA and this process. When I was called in March to extend the invitation I would have failed the acronym test but I was pleased to be contacted and appreciate the follow-up that Mary Anne Hunter and Kevin have done to organize this panel, now I know we're talking about the Economic Growth and Regulatory Paperwork

Reduction Act. It is an ambitious undertaking.

What I saw of the Los Angeles, Dallas programs made an impression. Banker, community members, sitting across the table from those charged with assuring both the safety and soundness of our financial system and protection of those that offend on unobstructed access to it. To hear those who are regulated speak forthrightly to open ears powerful supervisors suggest to me that EGRPRA is not an exercise of form over substance. This panel is focused on capital related rules, CRA, consumer protection rights and DNO, I'll speak for a few minutes to the first two with a brief reference to the third regarding the fourth, my experience working with the boards of multiple banks produced no Reg O issues of note.

The March 20115 call instruction book update was 196 pages.

120 of which are for schedule RC regulatory capital. Of those 120 pages 86 were on risk ratings, within that, the simplified supervisory formula approach beginning on page RCR46 perhaps captures a bit of the challenge community banks face in interpreting instructions. The complexity involved in calculating the risk waiting adjustments and deductions is evident. Building a significant new layer of data collection over the five-year phase in of the new common equity tier one equity rules will have small banks parsing the small changes, time and expense that could go in creating economic benefits for the community. We appreciated the letter we got in February from the Federal Reserve Bank of Boston. Raising the bank holding company asset threshold for Y9 reports, specifically the Y9C and Y9LP reducing the paperwork burden under a billion including ours, a slim down line item SP will be required at the end of the second quarter we're already feeling as a holding company the benefits of some good common sense adaptation.

I found FDIC vice chairman's remarks delivered last month in Washington to be enlightening, he spoke directly to the regulatory landscape surround bank capital and offered a proposal for focusing the regulatory relief discussion on not just bank size but also activity and complexity. He first talked about criteria for defining legibility for relief based on bank's postures relative to training practices and derivative positions. He went on to raise the prospect for an additional criteria and banks having a ratio of equity to assets of at least 10% He was setting conditions that could guide the provision of a relief to eligible community banks. He indicated that upon such conditions becoming established the focus could concentrate on what the banks have highlighted as areas of greatest burden mentioning several that were discussed in forums like these. What was the most encouraging part of his presentation was he was specific about the type of regulatory relief that could be imagined. I quote 6 bullet points from his April 15th remarks, one, exempting traditional banks from all capital standard and associated capital amount calculations and risk weighted asset calculations. Two, exempting such banks from several entire schedules of the report including schedules related to trading assets and liabilities, regulatory capital requirement calculations and derivatives. Three, allowing for examiner judgment and eliminating requirements to refer all possible or apparent fair lending violations to justice if judged to be inadvertent. Four, establishing criteria exempting traditional banks from appraisal requirements. Five, exempting traditional banks if applicable from stress testing requirements under section 165I2 of the Frank act. 6, when judged appropriate allowing for an 18 month examination cycle as opposed to the current required 12-month cycle for traditional banks.

My view is that his remarks three weeks ago articulated a pathway to responsible relief that would speak well to the economic growth objective of EGRPRA. Turning to the community reinvestment act I speak to the perspective of one of many years an officer of a commercial bank subjected to the large bank standards and have held two, at Northfield Savings Bank we're concluding our current FDIC complaints and CRE exam, a positive experience overall. Our EIC was diligent in the preexam, question, interview allowing for a number of areas to be scoped out. This allowed our team members to be relatively well focused coming in the exam.

The money ball, it was the laser focus on assembling a winning team based on statistical analysis. The exam process has grown more intensively data driven overtime. Consider the moving parts in the intermediate small bank examination, two tests, lending and community development. Within community development separate evaluations for CD, loans, investments and services. To achieve an overall satisfactory rating for CRA during a compliance and CRA exam and intermediate small bank must obtain a minimum of satisfactory on both the lending and community development test. This is where the data comes in. On the lending side definition of assessment areas, MSA, this stems from the original intent of CRA to assure no low to moderate census tracks are redlined with access to credit cutoff or defaulting to payday lenders or non-bank money movers. With a decline in the bank branch lobby transactions nationally this century, a natural service area is transforming from being within walking distance or a short car ride to being a 24/7 virtual bank able to serve far distant customers without physical walls as a requirement. When I was in Massachusetts, my institution has a mortgage production office on the north shore of Boston with operational functions performed from the bank's South shore market where we had a long established retail banking presence.

The mortgage originators working were effective in meeting demand for a range of secondary market and portfolio options. As the volume rose, it became part of our denominator of overall loan production. Because we didn't have physical deposit taking capabilities the north shore mortgage volume wouldn't be in any knew rater of lending in the assessment area for the next exam. This became potentially a problem and we faced the choice of possibly reducing our mortgage commitment north of Boston or investing in a full service office there.

We chose the latter. A new branch opened in the beginning of 2015 and is taking deposits. The bank, not the one I'm currently serving but most recently served, has a third assessment area at this point. On to the community development side, the turning legibility of CD loan, investment, services, it is equally data driven. This is forcing banks to better anticipate examination practices as they collect information for loans, investments, services that benefit low to moderate income constituents and census tracks. We have experienced cases where it may be clear that a particular non-profit's mission is in service primarily to a displaced, disadvantaged population but we struggle to validate the percentages due to a lack of data collection resources within the entity in which we have invested. In the same light we can fall short of credit for impactful volunteer service by the bank staff when contributions cannot be easily documented in increments of hours. What I have described is not implicitly a bad thing. A new branch office brings economic benefits to a community via enhanced competition, employment, stronger access, potentially to responsible and flexible deposit and lending programs. Community development work that follows a disciplined accounting process aimed at capturing CRA eligible projects and activity as part of the CRA program design will sharpen resource allocation within the institution. It did for us.

I will close with a quick note on consumer compliance. The most effective consumer protection comes down to one thing, financial literacy. You should throw the book, CMPs or worse at any financial services provider that deliberately preys on the financially vulnerable. We have CFPB because we had bad actors that exploited a power imbalance between providers and consumers and because the structures embedded in the framework contributed to more confusion than clarity. Mortgages, flood insurance, overdraft programs, payments, funds availability, appraisals, each of these presents potential land mines that justify well-crafted regulation to minimize the consumer harm and provide clear guidance to financial players across the spectrum.

Ultimately though, the educated consumer is the anecdote to financial exploitation, each regulatory body here today has initiatives and resources aimed at financial literacy. I have served on the advisory board of the center for financial literacy at Champlain College. During my time at merchant bank we partnered on some ground breaking work to provide for credit on campus training of Vermont's secondary school teachers to provide vital instruction and curriculum tools to advance financial literacy in high school classrooms across the state. I presented the initiative at the FDIC chairman's committee on economic inclusion in March of 2011. Getting key financial principles understood at an early age setup a circle as young adults begin to face the gauntlet of financial decisions and solution options in the marketplace. As an industry we should continue with this effort. Thank you for your attention.

>> MARYANN HUNTER: Thank you. Michael McCurdy.

>> MICHAEL McCURDY: Thank you. I'll try to be on the brief side. I know Julie has a bit to say down there. Again, I'm mike, Michael McCurdy, with

Brookline Bancorp and we're about a 6 billion-dollar multibank holding company here in Boston. Just taking a step back, we were originally obviously the old brook line savings bank, people still call us that, we have to update them, remind them that we have grown a bit but at the same time as we went through this process, and completed the acquisition, we reviewed our charters as our CEO likes to say, we had a bit of charters, wet a bit of each, we ended up and are proud to be back as a state chartered institution with brook line and then bank Rhode Island, a chartered institution, we work with the Commonwealth as our regulator and the Fed. We're talking about paperwork reduction but our exam process is super. The Fed and the state have been very accommodating, they do a joint exam with all three banks in the holding company at one time, it is very efficient, we have welcomed the process and kudos to the examiners and the regulatory agencies for helping us get that happen. Thanks come together, work for the right reasons, an example of that, you spend half the year in the bank but other than that, it is all good. In all seriousness, you're there for a couple of months and it is good. We have the Fed and the state, I was serious on that one.

We have, of course, being a public company, we're regulated by the SEC, and I hope they could be here today, we would have a good discussion. I want to mention because we have now referred to them as the fourth regulator, our external auditor. I think that the role of the external auditor is very different today than 5, 10 years ago. KPNG spends a great deal of time with the company and internal auditor and external auditor, they work well together with reviewing the documents and represent viewing information. I think that there is a gap between the examiners and the external auditor and I don't think that this he leverage the relationship we have with the external auditor or the examination, work we do for them on a quarterly basis given that we're a public company or annual basis. A thing that we have observed is that both would be served well by more interaction. A lot of times there is a lot of redundancy, the same requests and same information and there seems to be in this day and age with the external auditors and emerge grants of the requirements that are based on the external auditor that's an opportunity to leverage some of those resources. You know, as far as assets size goes, we're a bit larger sitting at the table but we consider ourselves to be a small bank. Still a community bank. A Comptroller, I was at a program a couple of months ago, you spoke to asset size and I think you made the reference that you prefer not to speak in terms of asset size when it comes to examination cycles. I can't agree more. I think referring to asset size as points in time when examination structures change, et cetera, it only perpetuates the whole myth of being a large bank versus a small bank. I can tell you right now that the 10 billion asset size, even though we all refer to it and everybody says, oh, it is a bright line, you don't have to worry about the additional requirements until you pass that asset size, well, you know, we meet with examiners as we did just last week, you know, the first thing that is said to us is as you get closer to 10 billion -- and then we start about stress testing, additional reporting, we talk about ERM process, the expectations that are in place when we cross 10 billion and because of that they want us to start doing things now. We're only 6, you know, a bit over halfway there. The more we can get away from defining things strictly by asset size would be a good step for all of us.

You know, I kind of had some scripted remarks but I want to speak candidly, I have been in the audience before and sometimes candid discussions are more appealing, you know, that being said, I thought I would read some things I want to talk about, particularly on consumer protection and the role of the board and expectations of a director today. Before I do that, I want to go back, quickly go through, compared to some, I'm relatively new to banking, 13 years at this point. You know, over this time I have come to appreciate recognizing the immense value of the community banks, what they bring to the communities, customers, local economies, community banks play a critical role within their communities. By employing local residence, providing meaningful opportunity, career opportunities, financially supporting local charitable endeavors and non-profit initiatives and providing banking services and products to local families and businesses.

Too much the fundamental role within a community of a community bank is too often overlooked and taken for granted when we consider the burdens put on the bank we question if the financial burden is something that a local bank can afford and we cannot forget what's at stake. In this regard, I speak somewhat from experience, my entry into the community banking was back in 2001. I was appointed as President and CEO of a bank at that point in time it was a 45 million-dollar cooperative bank located in Muldan, Massachusetts. We were principally a conservative residential lender, well capitalized, profitable, we employed local residents at our company and we served as a valuable source of charitable donations for the community. We were the charitable institution there. After experiencing growth, you know, our management team, board of directors looked around, looked at the compliance, regulatory costs, the costs of plating a 45 at that point a 55 million-dollar bank in a community and realized it was becoming increasingly difficult and expensive and decided to merge with a larger institution. We were faced with the reality to do it at that point in time, in our terms, serve the community, employees and customers well. Now, there are many banks today that are of that size and larger that continue to operate successfully within communities, no doubt of that, I assure you that there are fewer today and many -- there will be fewer in the future. You know, the regulation of banks for safety and soundness and con summer protection services is critical and will always be a part of the industry but the regulatory burdens placed on banks are significant, more expensive today than 10 years ago and the consequences of the increases and expense are real. People lose jobs, communities lose their charitable partners and consumers lose the local bank. As a result, it is important to strike that careful balance between regulation providing for a safe, sound banking industry, one that's protective of a consumer and the need for a healthy, vibrant, local community banks of all sizes within all communities. Using this as a backdrop, I wanted to make observations today that raise concerns about the current State of two banking regular -- two areas of regulation as it relates to community banks. For instance, there are concerns in the industry that consumer protection regulation, critical, important, necessary, it is prompting banks to reconsider whether offering certain products and services is worth the risk of being severely criticized for essentially running afoul of an examiner's interpretation of a particular regulation let alone subject to potential lawsuits, DOJ referrals, et cetera. To conform to the regulation, it can at times not be the primary objective of the examination process. When this approach and this is the approach, it prompts management of the bank to reconsider whether certain business line product or service is worth the risk of such criticism. For example, the recent consumer protection efforts in the community bank indirect auto lending space left bank management teams confused and unclear on what's expected of them and the efforts to have satisfactory compliance, when you mentioned earlier some hot button issues over the first two sessions, I was somewhat surprised that indirect auto was not one of the them. It is a critical area, we at brook line are in the business of indirect auto lending, we exited the business in December of last year. This confusion around the indirect auto lending combined with the potential of severe regulatory corrective action and referrals to the DOJ prompted community banks to question whether it makes sense to continue to offer the product tall with some banks pulling out of the business altogether. In such a situation the consumers lose and lose the benefit of competition monk the lenders for pricing purpose and the lenders are left with no alternative other than to avoid the risk of unknown to not be compliant with the regulations despite trying to do so. That last part is the most important part. The confusion amongst this area has created confusion within banks themselves and even if you raise your hand, offering suggestion, we want to comply, we want to do what's right, there is a lack of guidance, a lack of assurance with institutions if they do certain things that they won't run afoul of the regulation.

The regulatory objective is not to have the bank, for example, and those who are in the indirect auto business will criticize me for saying it, if the objective is not to have the bank auto dealer relationships that include premium pricing, if that's the goal and objective, it would serve us all well to have this be the guidance report requirement opposed from a regulatory perspective as opposed to attempting to accomplish this task via retroactive, confusing, subjective analysis of the incorrect lending data. I assure you, we like all others, work hard for consumer protection and standpoint and we make every effort to do the right thing. That being said, we're not all perfect in this regard and in certain instances the end result auto issue, the good intentions, good faith efforts of community banks are not given sufficient weight in the process and this in turn chills bankers efforts to offer certain products and certain markets. Finally, just touching on another issue on the board of directors and their role. Similar to the management teams of the community banks, the bank's board of directors is struggling to define its role and relationship with respect to regulators. For those of us in management, community bank, we fully understand and appreciate the value of the directors to the bank, this comes in many forms from servicing as a fiduciary, strong ties to the local business community, to a diverse skill set which is an asset to the community bank management team. Recently the line between board and management functions have become increasingly -- is increasingly blurry guy in part to expectations of the directors as being set by regulators. The directors are asked to take on more and more responsibility and assuming more potential liability which is leading them to ask if it is worth it, what are we to do? This dynamic is getting worse, recently when attended a peer group session of chief risk officers from around the country there were reports of examiners asking to meet with board members, directors, sometimes without management present and as part of the examination process, in addition there were reports of examiners asking to attend a regularly scheduled board meeting on a regular basis. In addition to the meeting which the examination report is friend.

There is no question that strong corporate governance is critical and there needs to be independence and oversight but there needs to be a distinction between the role of director and management and the bank's regulator needs to be aware of and respectful of this.

With that

>> MARYANN HUNTER: Thank you, we have 15 minutes left and then we'll have a few minutes for the audience to make any remarks.

>> JULIEANN THURLOW: Thank you for inviting us here, for your willingness to consider changes that will improve our operations and profitability. I think we agree that how consumers access banking services today have changed dramatically. Since the enactment much most of the legislation governing our business, I too am most concerned about the one size fits all banking regulation. I think that our hands because of the regulation that's been bound while non-bank innovators are entering into and pro live rating our space. First, let's discuss the process where things like the Basel accord becomes part of -- parts of the regulatory

rules and guidance. I think that there is an opportunity to slow things down a bit and to engage banks when new rules are going into effect.

I think the call report instructions that you talked about coming out a month in advance of the filing of the report, it was a surprise to us, there were a lot of changes as far as the high volatility mortgage, commercial real estate loans and that effect on capital. Service rights, banks made decisions whether to enter into the mortgage business and now the capital changes in that area I think are causing a lot of us to rethink the business that we're in.

Lastly as far as capital stress testing and interest rate stress testing, all of the agencies have their own models, it would be nice if we had an idea of what your model is because we're out paying for consultants to run models against our institution if we were to know what the rules were, we were doing the same thing, we would spend less time defending the model and have a better dialogue about what is the risk to the institution and what are the strategies to resolve those.

Moving on to CRA, very recently we opened a branch in a market near our gateway city and I think that there is a lot of challenges with regulations the way that they're written for us to actually meet the needs of those communities. Gateway cities tend to be cash based and that's how people are unbanked. So a lot of things like regular D and E, those type of regulations and restrictions make it difficult for us to develop innovative products that meet the needs of that community. Also cash-based businesses, sometimes they're very difficult to bring in to the conventional banking system just because of documentation issues and they generally don't have credit ratings.

Other outdated regulations I just alluded to Reg E and D, I would love to have those reviewed. D restricts the use of your account and you're only allowed to transfer out of your savings account six times. That's a little difficult online I must admit I got a letter last month, I was a violator of red D. I transferred to cover my checking account while travel

Trafficking and my husband was swiping, I hope that the bank doesn't close my account.

As far as privacy notices are concerned, we have to send out privacy notices every single year.

I know I don't open my mail for my bank, I don't know if you do. More reasonably, the one-time notice at the time that somebody opens an account and then a notice if there were a change in our policy, but the repeated mailings which costs about 12,000 for my 450 million-dollar bank, I'm sure it is a lot more for your bank as far as the cost of privacy notices.

Reg E and error resolution, I can tell when you review the regulation, which is very complex, that it has been layered on as payment processes have changed over extended period of time. I think it would be good for that regulation to be scrapped and started from scratch. To take a look at how consumers are doing banking business and where the risks and the boundaries lie at this point the banking industry is the backstop for all of the fraud in the payment channels. On the other hand, we can't not do business with MasterCard and Visa or we would be out of business.

Leveling the playing field and allowing us some form of recourse would be valid.

As far as examination cycle, I applaud the consideration for extending the examination cycle. I would be happy to see a 24-month cycle. We send our call report data on a quarterly basis, think that I there is plenty of information and I would be happy to have a conversation on a quarterly basis just like was mentioned, just to talk about what the strategies are. I think that banks benefit better when they're having a dialogue with their examiner and or regulator about where they're going rather than where they have been in the last 18 months.

>> I'm going to suggest that you slow down a bit. You're going at the pace -- I can extend the time by 5 minutes. Slow down. Take a breather. You have a lot to say.

>> JULIEANN THURLOW: That's actually my normal pace

>> ARTHUR LINDO: That's your normal pace. Condition!

>> JULIEANN THURLOW: I have been told to slow down before. As far as mortgages are concerned, I'm not sure how many of us here are bankers, that have taken a look, I know that Kristin Carvalho has, at how much it costs to write a lone, in our residential lending department we're not writing anymore loans but we have

two more staff members and the volume of paperwork before coming here today I actually pulled a mortgage file. The amount of paperwork that doesn't provide a value to that loan and credit decision is phenomenal. Anything that can be done to reduce, streamline the processes, it would be helpful.

As I said, if I actually look at residential lending right now, we have increased the fees on our mortgages to cover for the extra processes that have been put in place under the qualified mortgage. The other thing that's very troubling is under the ability to repay, we're declining a significantly -- a significant more individuals and our fair lending test showed we were de cleaning more women, single women from mortgages. When we went down to the file level to determine why and what the cause was, we found that they were single women or recently single women who had gone through a divorce. I would recommend that the community banks, be exempted if -- from the ability to repay in the case where they're retaining the full mortgage on their books, if we're willing to take the risk, we're not going to write a loan that won't be paid back.

In addition to the single mom scenarios, a lot of our small businesses are now finding difficulty to get a residential mortgage because of the fluctuation in their cash flow. We just declined a loan, a non-cash out refinance to a small business owner who had been our customer for 20 years. The rate would have been lower, the payment would have been lower, however, in his case, he had sold his business a year before. He didn't have cash flow in this coming period. The money was already out the door, and it was a disservice to him.

As far as fair lending is concerned, recent judicial rulings with regard to HUD's interpretation of disparate treatment and impact, we have received no word from regulators on how that is to be applied. So it is helpful for you to advise us whether or not they're -- we're being reviewed for the impact or treatment. Let's see, Kristin Carvalho referred to the report process, and I'm very concerned about the doubling of data fields in the current regime. The mathematics applied to calculating an error void the entire loan when one field is erroneous. I would definitely suggest that something be looked at as far as that's concerned. Again, thank you for the time that you have given to us. We welcome any feedback.

>> MARYANN HUNTER: Thank you very much. Thank you to all, for excellent comments. We do want to provide an opportunity if there is anyone in the audience that wants to add a comment on these topics, certainly you're welcome to do so with the microphones.

While people are thinking about whether or not they -- yes, go ahead.

>> You thought we could leverage external auditors work to a greater extent than is already the case, can you explain that a bit more? (Daniel Tarullo) I gather you have to gather and write the same information, I take it there is another step that means that it is duplicative nonetheless?

>> MARTIN GRUENBERG: Yes, it is duplicative as far as the request list, on the request items. I don't they that -- so our external auditor, internal auditor communicate frequently on the work that they're doing. There is not nearly any communication I think between -- I should say any, but may be some, it is an afterthought between the examiners and the external auditor and the external auditor is doing a fairly deep, significant dive in certain areas, ALLL, earning review, whatever we're doing within the company, they're spending -- they're scrutinizing and looking deeply into those areas and I think that rather than asking for management reports, et cetera, I'm always struck by the fact that the communication between in our case the relationship is not existent

>> DANIEL TARULLO: It is more than you get the duplicative requests for the same information, that they would have savings if the step was gathered beforehand and the external auditors were aware of what the examiners were looking for?

>> MARTIN GRUENBERG: That or when looking for management to prepare a certain report that we get requests from the examiners looking for us to do certain things whether it is let's say capital planning, contingency planning with respect to capital. A lot of times the finance group is similar -- is reporting on similar type things, maybe not the exact same format but working with KPMG on the same issues providing comfort and guidance, same with loan review, same with ALLL, the new requirements on the reportings out of that, there is a lot of information to be gleamed between them and the examiners.

>> DANIEL TARULLO: Thank you.

>> MARYANN HUNTER: I would ask a follow-up, Kristin Carvalho, you talked about some of the guidance related to concentrations in real estate and some of the additional investments that the bank has had to make to address expectations for external reviews. We often hear about investments that is driven by guidance and so how should we think about -- how do you inside the bank think of the investments you make with no guidance there, just for prudent risk management versus those that are driven by the guidance and maybe are more -- don't add the value that you would expect?

>> KRISTIN CARVALHO: A lot of what has become part of the exam process, it is a checklist based exam and it almost to the degree that it doesn't make sense. Does that make sense? For us to makes sense to grow commercial real estate. It makes sense. The alternative is we don't grow commercial real estate and grow commercial industrial, we're not going to do that. We don't grow residential mortgage because of the risk, we don't want to the do that. As we look at, we have multiple areas to lend, we look at some of everything. As we do our planning, the intentionally saying this is what we're doing because we think it is prudent to do so, the checklist we hit the 300% of capital is not helpful. It says that you hit 300% to capital, we know that. We know we did that, we're proactive in terms of thought. As you look at rising costs and I look at -- for those of you that know what's happened in the history of the bank, we have ran the budget very, very tight. We almost went from in the tenure I was with the bank, from a non-profit to some degree to a for-profit enterprise in 7 years later, I'm still beating that drum, we're a for-profit enterprise. I say that with tongue in cheek, we see compression, we have seen a sustainable environment and problematic economy for ten year, we have looked at -- I have been the President since 2008, that's the worst possible time to take over the reins of a bank. What's that resulted in, every penny not going within the communities in which we serve, that goes into -- every penny goes into compliance unnecessarily, a stress test, independent of all of what we're doing already, it is money that should not be spent by the bank to address that 300% of capital requirement because it doesn't make sense. We have put infrastructure in place, we have continued to, we have no asset quality issues with the bank until I probably said

this now, then I'm in trouble. But it doesn't make any sense, that's money that could be spent giving back to the community, giving back to the employees or lending it out in a situation where the capital is premium, that money that's being spent is now not being lent out in the communities in which we serve. That's when we look at making those decisions, I feel that we have to make decisions -- they're not bad decisions, prudent decisions and we want to remain in good stead, we want to continue to grow if we have the opportunity to do so. We also sometimes are making decisions if they're -- if they're in a gray area, we're in a lot of gray areas in terms of compliance, we err on the side of caution driving the expenses up, the stress test is a perfect example of that. Kristin Carvalho thank you very much. Chairman, you had a question?

>> MARTIN GRUENBERG: On the ability to repay requirement, I just want to understand what is it about the current standard for implementing ability to repay that you find constraining so that you have customers assuming you don't want to make a loan that the customer can't repay, I'm assuming you have a judgment in regard to a particular customer that you think that they're a good credit risk, but there is something about the ability to repay standard that you think is unduly restraining. I'm wondering, what is it that you're finding problematic there? Kristin Carvalho

>> JULIEANN THURLOW: As far as the ability to repay, we have a breaking point where the system determines whether or not they qualify or not. So we could write the loan anyway, but there is a concern about the criticism and or the ability of the consumer to come back from a legal perspective saying you shouldn't have given me that loan to begin with.

>> MARTIN GRUENBERG: All right

>> JULIEANN THURLOW: From our standpoint, let me use this scenario of the single mother, she has not been in the workplace, she's going into the workplace, I know she has her MBA, I know that she should be able to make a certain amount and she's probably only has a 50% loan to value, previously that 50% loan to value would have been a justification enough, plus being a part of the community and understanding that her family support system around her, being confident that we would give that loan to her.

>> MARYANN HUNTER: Thank you. There is no other comments or questions. I think, Art, I'll turn it back over to you.

>> ARTHUR LINDO: Thank you. A lot to say, we'll have an opportunity to continue the dialogue. We very much appreciate your written comments to follow-up what you have given us verbally today. We'll take a 15-minute break at this point. We'll set up the next panel. Let's promptly be back at 10:50. Thank you.

(Break)

>> ARTHUR LINDO: Welcome back.

Looking at the time, I think it is a bit after 10:50. I'll get the second panel started.

I would like to thank the bankers on the first panel for getting us started. Now we'll talk about several issues related to consumer and community group matters. Our focus will be on those issues for the next panel.

We're pleased to have with us today as moderator Anna Alvarez Boyd who is a senior associate director in the division of consumer and community affairs at the Federal Reserve Board and has diverse experience in the government, corporate, non-profit sectors where she has managed housing, mortgage finance and community development programs at both the national and regional level. Before coming to the Federal Reserve System she served as vice President of programs for the congressional Hispanic caucus institute where she was responsible for the organization's leadership development initiatives, policy and educational services. She also once held the position of director, community and multicultural lending at Fannie Mae where she managed affordable housing initiatives with the focus on serving minority communities through national non-profit housing and realtor associations.

I'll turn the program over to you.

>> ANNA ALBAREZ BOYD: Thank you. Good morning, everyone. (No microphone).

We should check on the logistics, you do need to touch the pad, the light will turn green and your voice will be projected into the audience.

Yes, I think from the previous panel we learned a few things. Begin to all of the outreach meetings so far. We continue to learn new things every time.

I want to thank our panelist today for taking the time to join us. You will note that Ruhi Maker is not with us today. Everybody will get an extra two minutes.

This panel will cover a wide range of issues including the fair housing rules, community reinvestment act with insights on how community uses data generated by CRA, some thoughts about how it could be modernized as well as looking at CDFIs and the NEXUS with financial institutions. We also also get a brief preview on rule development.

I will briefly introduce all of the panelists for the viewing audience and in your packets you have extended biographies if you're looking for more detail.

We'll start to my left, Patricia McCoy is the liberty mutual insurance professor from Boston College Law School. She recently joined Boston College from the University of Connecticut University of law where she was the mutual professor of law and director of the insurance law center, in 2010/2011 she was with the new bureau in Washington D.C. establishing the mortgage market section and oversaw the mortgage policy initiatives.

Later from 2001 through 2014 she served on the consumer advisory council of the Federal Reserve Board of Governors and currently sits on the FDIC's advisory committee of inclusion, she's been a longtime adviser to us as regulators.

Then Ben Dulchin is the next panel list, neighborhood and housing development, ANHD, a membership association of 100 neighborhood based development groups in New York City, committed to the preservation and production of affordable housing and to equitable economic development.

He had begun to work in there in 2003 founding their organizing training program and directing ANHD's advocacy campaigns. He has been a housing activist in the community organizer for 23 years with previous jobs as director of organizing at the 5th avenue committee in Brooklyn and a tenant organizer on Manhattan's lower east side. You may hear him on MR passes I did last week on my way home. Immediately to his left, you will find Brenda Clement. She's the executive director of citizens housing and planning association in Boston, Massachusetts.

Brenda became executive director in April of 2012 and is responsible for managing and overseeing all aspects of the agency's work.

She previously served as executive director of the housing action coalition of Rhode Island, a statewide advocacy organization and as executive director of the housing network the Rhode Island Trade Association for Community Development Corporations. Brenda is a founding member of the New England housing network, the regional organizational initiated by CHOPA in 1995 and serves on the board of the national low income housing coalition.

Thomas Callahan is the executive director of the Massachusetts affordable housing alliance.

That's here in Boston. Tom has been with the Massachusetts affordable housing alliance since 1987 and been its executive director since 1991. This is a non-profit organization educating and mobilizing across Massachusetts to break down barriers to affordable, sustainable Homeownership. Mr. Callahan serves on the boards of the Massachusetts property insurance underwriting association, the appraisal foundation, Massachusetts community and banking council, community labor united, community preservation coalition and is a member of the Milton Fair Housing Committee and the Milton Affordable Housing Trust Fund.

Very well established here in the Boston area.

Then finally, we have Dr. Ramon Borges-Mendez. Associate professor of community development at Clark University in North Chester, Massachusetts. He's currently coordinator of the graduate community development and planning program and co-coordinator of the duel degree MMBA program hat Clark University.

He's held academic positions at UMASS Boston, Amherst, American University School of International service, the Johns Hopkins School of Advanced International Studies and the University of the Public Policy Graduate Program. He's written on a variety of public policy issues including workforce development, labor markets, poverty and community development in the United States, immigration, sustainability and governance in Latin America. Professor Ramon Borges-Mendez has also served on many advisory boards. You will find more about that in the packet.

With that, I'm going to turn it over to pat to start us off.

>> Patricia McCoy: Thank you so much for inviting me to appear in this panel today.

I just wish my students could be here, but the banking regulation exam is tomorrow morning.

>> (Laughter).

>> Patricia McCoy: I think they would learn more by seeing it in action by being here today.

I would like to start out by framing today's EGRPRA outreach event, it states we should consider how to reduce regulatory burden on insured depository I wanted institutions insuring safety and soundness of the financial system at the same time. Like other EARPRA reviews in the past and I have been involved in prior EGRPRA reviews, the circumstances surrounding this review are very different. Unlike before, most consumer regulations in the banking area are not part of this review. Instead, the consumer financial protection bureau will review its rules under a separate statutory process within five years after those rules take place more importantly, for the rules that are under review today that review comes in the wake of the most devastating financial crisis in this country since the great depression. During that crisis several million people lost their homes to foreclosure and many more millions lost their jobs. In addition, some of the rules under review this time only recently were promulgated and have not been effect very long, in many cases, less than 18 months.

The 2008 financial crisis drove home the fact that consumer protection regulation, safety and soundness, financial stability are joined at the hip. Accordingly, the paramount goal of this EGRPRA review should be financial stability and safety and soundness. Deregulation for deregulation sake is not the point. Instead the question is, how we can protect institutions, consumers and the larger financial system while making regulation smarter and more effective.

A related theme that's come out in EGRPRA outreach events in Dallas and Los Angeles as well as today is how best to harmonize safe credit with access to credit, particularly for residential mortgages. This is a complicated reason, I think everybody in the room knows for several reasons. Even before the reforms kicked in, there was a serious contraction in mortgage credit and we're still suffering from the lingering effects of that contraction today.

In part, that contraction was due to over cautiousness by lenders themselves, the urban institute recently concluded, for instance, that lenders are only taking two-thirds of the borrower risk they took before the housing bubble began to inflate.

That is an enormous over-correction. There also was a fall-off of demand as consumers to average creditworthiness declined, finally Fannie Mae, Freddie Mac, FHA became extremely conservative on what they would buy or ensure in an effort to remain solvent. Many would say overly so. Despite the challenges, EGRPRA has the potential to be a part of the solution to reconciling safe credit with access to credit in at least two ways: First, the community reinvestment act has been an extremely important testing ground for innovative ways in how to extend mortgage credit to low and moderate income borrowers on safe terms. Nip changes to the CRA regulations going forward, they're badly needed, should make sure to nurture and expand this important role of CRA.

Second, fair housing act plays a vital supporting role in expanding access to credit by making sure that loans are not declined because of discriminatory reasons. Fair housing act reporting is an important part of assuring that the FHA remains a meaningful law. That said, given the CFBPB's process of updating reporting, it is worth considering whether the reporting requirements under the fair housing act and under CRA could be harmonized with HUMDA reporting to streamline the reporting obligations of mortgage lenders.

I would also like to briefly address some of the concerns expressed in prior outreach events about the CFPB's ability to repay and qualified mortgage rule. Obviously we do not want to go back to the liar loans of the past and the institutions that testified today have been very serious on ensuring ability to repay. This particular rule is one of the rules that technically falls outside of the EGRPRA process because it is under the sole jurisdiction of the CFPB. It is also a rule that's only been in effect for slightly over a year. Nevertheless, in that short time the CFPB has worked continually with consumer bank, element actives and the public to issue helpful guidance and to modify the role already in response to some of the concerns expressed here and in the prior outreach events. The bureau issued a detailed guidance that's specifically tailored to small banks. In addition, the bureau has already adopted several amendments to the rule to reduce regulatory burden. It has other proposals pending, most recent of those proposals would revisit the definition of a qualified mortgage from mortgages held in portfolio by small creditors. The bureau has a robust ongoing process in place for review of the QM and ability to repay rule and I do encourage small banks with concerns to continue their dialogue with the bureau.

Next I would like to turn to another area related to mortgages that is within EGRPRA, mortgage appraisal standards: In prior EGRPRA outreach events some commenters asked to be excused from the need to conduct an independent outside appraisal for residential mortgages. One proposal was to raise the exemption for appraisals on higher cost mortgages from 25,000 to also exempt loans of double that size. It is important to keep in mind, however, that higher cost loans are precisely the ones that are more susceptible to inflated appraisals judging by past experience. Furthermore, the cost of those appraisals is born by the consumer, not by the bank. Since this role has only been in effect for less than 18 months it would be premature to revisit it now.

Another commenter asked federal regulators to ask raise the minimum loan size for mandatory appraisal above 150,000, again, this would be ill advised. According to the National

Association of Realtors, the enlisting price of a house in March, 2015, was only 220,000, which presumably means that the median mortgage is less than that amount. So the majority of prime mortgages are already exempt from mandatory appraisals.

As we know, inflated appraisals were a major problem during the lead-up to the financial crisis since larger mortgages posed the greatest risk we need to retain the most vigorous evaluation methods for the mortgages. The last time I sold my house, which is about a year ago, I can assure you, Google did not do an interior inspection. The independent appraisers do.

Google and others, they're not as vigorous, they don't go inside seller's homes.

Again, the cost of those appraisals, it is passed through to consumers and also is not subject to the 3% cap in pints fees for mortgages, cost should not be a major issue from that perspective.

I would recommend, however, that federal regulators consider whether it is always necessary to require a reappraisal on an existing mortgage where there has been an obvious material change in market condition or physical aspects of the property. In situations where the borrower has consistently paid on time. Research has shown that people must be deeply underwater before they will consider strategically defaulting on a mortgage. Consequently for borrowers that consistently have paid on time, it may be worth evaluating certain tolerances, perhaps LTB tolerances below which no reappraisal is required in a falling market. Finally, on the topic of federal preemption, I would just like to highlight the benefits of the growing positive cooperation between federal banking regulators and the states sense the passage of the Dodd Frank in 2000. At the CFPB that cooperation was standard operating procedure for us. It has worked surprisingly well. At the CFPB federal rules, in many places, they're not a ceiling but a floor, that's many reasons why we had a longstanding tradition of cooperation with the states.

The two-tiered model worked surprisingly well and Massachusetts is a shining example and has yielded all sorts of benefits in terms of greater coordination, better informed rule making and stronger enforcement. I would like to applaud the OCC for taking the steps recently in this direction and urge them to take more. Thank you so much.

>> Benjamin Dulchin: Good morning. I wanted to genuinely thank such a distinguished panel to take the time to come, listen to the comments, those of thaws work on the consumer and the community reinvestment side of the reinvestment act, this EARPRA process is important for us to recognize the importance on the regulations over the years and also to talk about certain

ways which we think it could be strengthened and I share the satisfaction sitting here in Boston after a three-game sweep this weekend over the Yankees over the Red Sox.

>> (Laughter).

>> We represent over 100 non-for profit organizations that are dedicated to building, maintaining affordable housing and maintaining jobs to increase opportunities for both. My comments today, they're mostly about thoughts about how the CRA could be strengthened and I want to take a moment to bear witness to the impression it has had on New York City, we have looked at the impact of the community reinvestment act every year. Initially it was part of the social movement that led to the passage of this and has witnessed the enormous benefits of the law. Over the last 35 years since past, New York city has developed one of the richest ecosystems and infrastructures in the country to build and preserve affordable housing and support other areas of the community development.

We can say with certainty that the CRA fostered collaboration between government, developer, non-profit and banks that led to the creation of a robust housing infrastructure and wealth of CRA motivated capital to support it. Since it past, 300,000 units much affordable housing have been built or preserved across New York City with a mix of government subsidies that leverage the private bank reinvestments brought do the table directly as a result of the CRA.CDC's my member organization, it is a third of that housing, and that is affordable and deeply affordable for the neighborhoods in which it is built. We have also over the years seen CRA dollars and investments to support healthcare, education, immigrant communities and more to improve our neighborhoods.

New York City has come a long way since the day -- early days of the CIA and burning Bronx, our neighborhoods are rebounding and the economy is improving, the struggle is tobacco play sure that the investments are equally distributed to make it affordable for working class opportunities and for equal opportunity in the thriving city, that they're not priced out. We're starting to see and are eager to see more and innovative ways to see more development particularly with other neighborhood based organizations. We appreciate the regulators are looking at the areas and many of the comments I'll make today mirror those submitted by others as part of the circles R axe Q and A revision process, given the limit in time, the comments are not an exhaustive list of every issue, my full comment letter will expand more-this.

I want to fist talk about access to banking. The service test to evaluate how well banks provide the most fundamental services, a safe place for all consumers to deposit and withdraw their own money and access to responsible financial products to save money and build wealth.

The data on the continued importance of branch banking is clear, a study found that 50% of seniors and low income households use bank tell temperatures as the primarily method of account access, immigrants too often rely heavily on branches to open and access banks. You know, my point of the comment here, mobile banking, online banking, as important as they are as new ways of understanding how service is delivered, but they should supplement, not replace branches. Clearly cost and access matter. The same FDIC study showed the top recent participants were unbanked includes not having enough money to open an account and high and often unpredictable account fees.

Numerous local studies in New York City echoed these concerns as well as issues related to ID and prior banging problems. In New York City we recently had a local responsible banking ordinance enacted which looks at local detail of what the local needs are and how banks are meeting the needs, some concerns around services that just came out of the needs assessment as part of the responsible banking process were lack of branches, high and hidden fees, barriers due to prior banking issues, ID requirements and the need to better serve immigrants. Regulators must place a high priority on branching patterns and evaluate the fees, overdrafts, identification, language access, cultural competency, flexibility for people with prior banking issues and how effectively the products are being used as evidenced by the number of accounts used and opened and closed by LIM people. Regulator cans compare how the alternate delivery models compare such as looking at money orders, prepaid cards, responsible small dollar loans, security credit card, others. Too many go to good length to describe a good product and report a small amount of loans made. Offering the product is not enough, it must be marketed and used effectively by the populations as an issue that we run across and banks can't demonstrate that the product is well designed and check all the boxes, but isn't actually marketed and used with a high up tick rated it shouldn't get the credit.

Next, I think I'm echoing a comment that many others have made, it is absurd that 98% of banks pass the CRA with a satisfactory or above, a more nuance rating system that grades on a curve or with points would be far better, at the least there should be more statute to allow a final rating of a low satisfactory and high satisfactory and an outstanding should be much harder to achieve demonstrating true leadership, well above those of the peers. You know, we would argue that the CRA is far less effective of encouraging better behavior and bank reinvestment because the great majority of banks know they can without too much effort fall in a satisfactory and creating competition within that satisfactory grade so that low status factory banks are trying to distinguish themselves with a high satisfactory would increase the effectiveness of the rating system and clearly an outstanding should really be an outstanding. There are some banks in New York City that are genuinely above peers and among their peer institutions, really intentionally doing more for the quality and quantity of the effort, it should be recognized but harder to gain and clearly not every wholesale bank in New York City can be outstanding. They can only -- you know, they're outstanding only compared to each other.

That's an attribute that should be recognized what it is and then restructured.

So on assessment areas, something where we have seen a lot of confusion and efficiency, the banking world has changed, they're bigger, more complicated and assessment areas need to reflect this.

Traditional limited purple and online banks make loans and take deposits outside of a branch network yet assessment areas are tied to branches. These include credit card lenders, non-bank mortgage lenders, online banks and prepaid credit card issuers. Regulators should rethink how the assessment areas are drawn to see where a bank makes deposit, makes loans and does business. There was a good press sent set by a headquarter location and six states where they did a majority of business this was only a limited scope evaluation but really a step in the right direction and we have seen similar evaluations done in the past by the then Office of The thrift supervision that similarly with credit card banks, you know, both evaluated them based on headquarters but also looked at where the activity actually took place.

The more complicated bank structures and loan times creates confusion and in some cases undermine the fundamental purpose of the CRA, it is optional to include affiliations in the exams and non-bank lenders that are not bank affiliates are never evaluated which is a problem in New York City. It is also optional for banks to report which is commonly used in lieu of traditional refinance loans and are very prevalent for multifamily buildings. You know, particularly in New York City but other parts of the country as well.

CRA exams, seen as are examined either with a loan or other category depending on the regularity which is under reporting and inconsistencies for banks and regulator force loans that are critical to the affordable rental housing market in New York City. Limited purpose banks are evaluated only on their community development activity and not on the volume or distribution of their lending. A bank with two regulated activity cans count one as an affiliate loan on the other exam if the hour bank needs credit. We strongly feel that affiliate lending should not be optional to report, non-bank lenders should be evaluated under the CA, regulators should fully examine the lending record of limited purpose banks and evaluate on blanks and prepaid card issuers based on where they take deposits. Regulators should consider one evaluation for the holding company with all of the CRA regulated through subsidiaries and none related bank affiliates with a truer analysis of the company's record and in the interest of reducing burden as I was supposed to do, would create a streamlined system to evaluate the banking holding companies. I want to talk about in the community development category, economic development under the CRA means a lot more clarification. The CRA must incentivize hey paying jobs, not perpetuate the low paying jobs and all of the workforce development should be evaluated as to how to create, retain, improve access to quality jobs that benefit LMI people especially though with barriers about multiple barriers.

Economic development is really one of the most misunderstood and least utilized categories in the CRA, there are a number of banking institutions within New York City and community organizations and government agencies within New York City that are increasingly understanding that as we fight for affordability in our neighborhoods, that affordable housing is key but affordability is an equation that no housing is affordable without a job and that equal and equally creative, intentional focus on equitable economic development is not only appropriate within the CRA but really should be part of the baseline level of responsibilities at all bank reinvestment activities that need to fulfill.

The CRA development is focused object how the economic development activity meets local needs with a clear connection between needs and outcomes. Activities that generate low wage jobs and little opportunity for economic ability or displacement should not get the credit.

Community development wait, while strong quality community development lending deserves credit, it should not substantively raise the rating of a bank that makes loans inequitably or in any way discourages the retail lending that our communities depend on. In all cases, quality must be taken as seriously as quantity if a loan is not sustainable or made irresponsibly and people are displaced, they should note get credit. This is critical in New York City where much housing is rent regulated and we find too many underwriters underwrite the allowance based on a speculative assumption whereas the apartment is actually in rent regulation and leads to a business model and cycle where the lender and the landlord assume that they can and should push out the low rent paying tenant, the allowance are made in a low income neighborhood are structured in a way that's deeply undermining the affordable housing which is a problem. Small business lending is woefully inadequate. All banks regardless of asset size should be required to report the small business data.

CRA.

I think performance context could be modernized, the Federal Reserve Bank in San Francisco is doing great work to make performance context a more meaningful tool. Finally, I would be remiss if not talking about the preemption and the mergers and acquisitions, this should not preempt the banks, including the New York City responsible banking act which is really responding to a local concern, has been effective and mergers and acquisitions, I want to mention for a moment, that process is one of the few areas with the CRA is officially taking into account and opportunity for local organizations to engage meaningful in the CRA, the expedited process for the CRA and mergers and acquisitions should be eliminated, no bank should be able to merge without explicitly outlining the public benefits that will result from the merge. Thank you.

>> Brenda Clement: Thank you. I appreciate the time. I'm an executive director of CHAPA, we're a statewide advocacy organization. As was mentioned, we also coordinate the New England housing network. I have specifics about specific regulations, but just want to make some general comments in a few areas if I could.

One, in general around Dodd Frank, and just a caution, our colleague Patricia mentioned it, many regulations have not been in place very long. A lot of it is let's wait and see, let's correct as we go along, but for many of us who are still cleaning up some of the messes from foreclosure we know that oftentimes regulations take a while to be implemented and to change behavior and practices in local institutions. We would caution any wholesale changes or big changes to anything until we see how their working on the ground.

When the market and some of the reasons why the regulations were put in effect for as I have said oftentimes foreclosure mess on the ground, it wasn't just a pretty little soap bubble that burst and went away, it was a sticky wad of gum and it is still sticking to a lot of things, many groups like ours implemented programs like the first look program, still continuing to provide housing counseling and foreclosure counseling in cooperation with the AGO and the home Corp prom here in Massachusetts and our colleagues throughout New England do that as well too. Again, always looking at the balling act, always looking to understand and knowing it takes time to change behavior and practices in large institutions in particular.

Many of my colleagues including my colleague that just spoke, Tom yet to come, are certainly much more knowledgeable about CRA, but some of our experience throughout New England on housing networks shows clearly that A, there is a need for regulatory change but a need for making sure that we're sensitive to the size and the scale of different markets and different areas. Boston obviously is very different than Providence, Burlington, Vermont, so forth, making any changes in regulations in any program that reflect those local needs and local concerns is critical in providing that flexibility and the regulations is critical as well.

Again, I would be amiss if I didn't mention particularly issues and concerns of rural groups and rural housing groups, many of the programs and the regulations have a very different impact on their market and so being sensitive to that, knowing and getting feedback directly from those consumers on the ground were pretty city cent trick on this panel. I wouldn't presume to be able to address the issues and concerns that they have. Alerting you to the fact that there are many and there are concerns as well too. Well not specifically in your purview today, I would also add that a couple -- a couple of the comments from the banker panel talking about the tremendous need for financial literacy and housing counseling, so forth, they're also critical in trying to find ways to provide incentives within the regulations for banks and the lending industry to participate in that and require that more, we know from running housing counseling proms for years and years -- programs for years and years, it was not the consumers, that were caption in the mess but it was the folks that didn't receive that education, counseling upfront that were caught up and confused by the mess. Unfortunately as the need for that type of service and training and counseling is increasing, the funding at least in the federal budget and from private philanthropy is decreasing. To fund those programs, that counseling, the education, it is critical as we move forward and as good of a time as now as we undertake the regulatory review as well.

Then the other last thing that I would just add is that one of the other opening comments from -- I can't remember which panelist, we talked about the paperwork. I think you'll hear on the consumer side too, the excessive in some cases, seemingly excessive the paperwork fillings effects the banks and the consumers, most of whom have to file numerous times oftentimes in order to get the paperwork in the right hand.

So that certainly is something to look at. Again, that balancing act of making sure that we're providing enough review at the same time as we're providing appropriate protection. To the example that I was referring to is the filing of the annual reports of the banks and the number, I can't remember the number, but hundreds and hundreds of copies of annual reports and other things that banks have to acquire to file to different agencies and to different entities. Obviously it seems excessive, but I would also remind us that there is still a huge digital divide out there. While there isn't always access -- it may sound good to just say file everything, put it on the website, put it someplace where people can access it electronically, not everybody has the ease of electronic access that many of us in this room have as well. Making sure that whatever we do, when we're looking at reducing paperwork, that we still make sure that consumer access is available and maybe it is through more non-traditional ways or traditional ways through library systems, other places where people have access tore through consumer groups and other things, but just remember that there is a different standard out there for many of the consumers, many of these regulations were put in effect to help. Thank you. I'll turn it over to my colleagues.

>> Thomas Callahan: Good morning. Thank you for the opportunity to testify today on EGRPRA and we appreciate your attention to this important issue. We work with banks and other mortgage lenders to make Homeownership more affordable and sustainable for low and moderate income buyers with a specific focus on closing the racial Homeownership gap in our state. Our signature program accomplishment was an outgrowth of the 1989 Federal Reserve Bank of Boston study on racial disparities in mortgage lending. That mortgage program has resulted -- that resulted is now called the one mortgage offered by over 30 lenders and administered by the Massachusetts housing partnership and has reached over 18,000 low and moderate income first homeowner buyers. We want to focus on some points that will sound familiar based on earlier testimony. The Community Reinvestment Act was passed in 1977 when banking was vastly different than it is now.

Banks were largely local institutions that did business where they had bricks and mortar branches. Today banks do business where they recognize opportunity and CRA regulations that define assessment areas where banks have branches are hopeless I outdated. Wells Fargo provides a good example of that here in Massachusetts. In 2013 in the City of Boston wells Fargo was the number four mortgage lender making 610 purchase and rebuying of mortgage loans. Statewide, wells Fargo was the number 3 ranked lender, 7,000 home purchases and refi loans yet they do not have the CRA responsibilities here in Massachusetts and does not participate in the state supported mortgage programs designed to reach low and moderate income borrowers. The closest deposit taking branch is 88 miles away from where we're sitting today in East Hartford, Connecticut. Wells Fargo is a significant player in the Boston market in virtually everything about banking but for when it comes to CRA.

CRA assessment areas should be defined as any metropolitan poll tan statistical area where a bank conducts significant activity, regulators can define the thresholds such as lenders that achieve greater than half a percent market share and mortgage lending for instance.

Our second point today is that the exam process is about the exam process that's core to CRA. We have two main comments. Regulators need to conduct more outreach to community organizations during the exam process in the 1990s these interviews were commonplace and helped regulators better understand community context. Our organization regularly would host regulators in our Dorchester office and have wide ranging discussions on specific banks, community needs, programs designed to address those needs.

Today this type of outreach from regulators is rare and has led in our opinion to regulators getting an incomplete picture of community credit needs and how banks may or may not be meeting those needs. Our organization is probably only one of these meetings over the last five years or so and that one was initiated by us.

Regulators also need to be tough graders. We have noticed possible positive emerging trend in the past year when 14% of ratings awarded in Massachusetts were outstanding ratings. The second lowest percentage in 20 years.

In addition four needs to improve grades were handed out when most previous years resulted in one or none. Overall regulators handout passing CRA grades to banks like homeowners handout candy on Halloween. Only 3.6% of math banks received a below satisfactory grade in 2014 and 1.8% received failing grades in 2013. At a time when many populations remained unbanked. Banks of course are not responsible for the inequities but they need to be held to higher stands of closing those gaps.

Splitting the satisfactory grade into a high and low satisfactory would be one step to improving the rating system.

Massachusetts has adopted this split satisfactory model and it has worked well providing consumers and community organizations with greater clarity on a bank's performance.

Ratings and examinations should also indicate a clear preference for how a bank is meeting local community credit needs. It has become clear that the nation's largest banks have adopted a too big to be local strategy. Aided and abetted by regulators.

At a recent meeting with one of the largest banks they were very proud to tell us about the relationship with some 1200 down payment assistance programs throughout the country, local taxpayer supported programs that help the bank reach low wealth borrowers. Good for them, you may say.

But that same bank when it comes to putting its own capital on the line pulled out of all locally based affordable mortgage programs like here in Massachusetts. We understand that there will not be requiring participation in the program bus more critical questions from regulators to banks on how the bank will plan to reach the hard to serve populations served by the local programs would be most welcome.

Finally, while it is likely beyond the scope of this hearing, I hope you'll allow us to make a call for the financial expansion of CRA to credit unions in an independent mortgage companies, Congress would have to initiate such changes it is important to note here that here in Massachusetts state chartered credit unions since 1982 and independent mortgage companies since 2007 have complied with state regulations applying CRA and CRA like standards to those institutions. It is working here and can work on the federal level.

Thank you.

>> ANNA ALBAREZ BOYD: Thank you, Tom. We'll wrap up with Professor Ramon Borges-Mendez.

>> RAMON BORGES-MENDEZ: Good morning. Thank you for the invitation distinguished panelists. Very important people when I read your resumes.

>> (Laughter).

>> RAMON BORGES-MENDEZ: Also to the audience and I understand people beyond this venue that may be watching us as well. I'm a professor, my responsibility is to educate, often serve as a skeptic in God we trust, everybody else has to bring the data, and also to serve and to contribute -- as a contributor to policy and policy making two ways, one by interacting in these teens of venues, but in a more focused fashion in connection with neighborhood institutions, which is what I primarily work with although I have had experience working with international organizations nowadays I like to work with neighborhood institutions and

understanding that while my job is to serve as a conveyer, connecting bolts and spheres, the spheres of state, national, often international policy making and communities.

In my open work at Clark University as part of the institutional work that the University does in our neighborhood and we're active in that, as well as I serve with a small community based organization called common ground. The objective of my remarks is not to address any specific body of law, but rather try to look into the future. Suggesting a few avenues to remodel in some way, to rehab, another word could be applicable, the contact point between institutions like the ones you represent, like the ones who help us regulate in multiple kinds of other institutions, at the local level, and the poor communities, the poor cities, the poor neighborhoods in which a good part of our citizens live. So I inevitably have to touch briefly on what the recession left behind in those communities. There were some contributions, it deteriorated, the landscape of employment for low, middle income workers, households, it opened further the relative work gap between racial and ethnic groups and low, middle, high wealth and it created a great deal of distrust on banking institutions and it showed capital inequality in terms of the business development and there are many other things but I think those are quite a number of items in which give and take we may all agree. What do we need? What should we think about if we are to reconstruct that relationship or the broken avenues of interaction between the institutions and the poor neighborhoods. Number one, work hard on President intermediate and regulators, this an ethical and public relation problem. Continue to improving regulations to increased access to capital communities in communities underserved by all banking institutions, I think that my colleagues here discussed that. In great detail.

Also improve the regulation and transparency to prevent overflows of capital related with assets and community asset hollowing or other systematic forms of financial population, plenty of those organizations are there, I think that we need to focus on, you know, this is a -- this is a constant cat and mouse game. Finally, entering into more complex conversations between regulators, banking institutions, communities and to reconstruct the ecologies around the reinvestment of economic growth in a variety of settings. I think that my colleagues have spoken to that degree of specificity, gateway cities, regional settings and thinking about how our work communities connect with transnational organizations or transnational entities. It is not uncommon to see Brazilians able to withdraw money from the bank account in Brazil. So there is a connection between our immigrant communities and transnational organizations. What are these new ecology gees of reinvestment and what should be thinking about them in the context of reconstructing that contact point in order of importance. I think number one, to help CDFIs increase their manufacturing portfolio or the promotion value activity, like for example in value of the supply chain in regional and local systems, it is an important part. Key emerging sectors, food, energy, and what I call connectivity issues, I think somebody alluded to them here, that there is a great deal of a divide. We do a great deal of work in central Massachusetts and there is still communities that have no consolidated access to the Internet. So what we are saying or what we're thinking is how do we address the funding of this, not just the business units in this interactive settings in which we're now beginning to, you know, find new populations and new relationships that are fundamental for rehabbing the capacity of the cities, small, mid sized cities to be sustainable and to get out of not just the effect or the impact of the recession, the recession for many years, but of this investment and abandonment.

Number two, find avenues to increase the recommend avenues and the large blocks of housing in the hands of owners which are squeezing those that fell off from the housing in the last recession.

Number three, establish a dialogue with institutions in distressed cities and neighborhoods, communities, universities to find avenues to leverage cam tall to improve the communities in which they sit.

Number four, a new generation of consumer education programs for youth, I think that the FDIC has been working hard -- to try to get them to think about the financial future. Especially since that is the generation who has been experiencing the great problem of student debt and they will continue to face that for a number of years. Those programs are very important to the extent to which they can also be extended to academic problems. We at Clark have a youth development program where we're trying to make that connection, how do we place in the hands of youngsters the capacity to make informed Phoenix decisions about their future, especially since many of them have very early responsibilities with regard to the households in which they live, especially immigrant children and students.

Also examining the tax credit regulations to take into consideration the tax credit markets in different cities have different densities, not the same thing to put 75,000 of tax credits in the hands of citizens in one that they don't have others, they don't have that capacity. How can that be emulated? Number 6, city hall, critical act to reenergize the locals yet some other critical offices are unable to clear the way for community-based actors to participate in those Cole gees and I think this it is -- in those ecologies and it is important to put the offices in contact with the -- with the work that's done in some important national entities such as the Federal Reserve banks of the different regions that have been increasingly active in refashioning the relationship to communities.

7, to discuss mechanisms for financing immigrant and refugee businesses. It is critical. The only ones you see taking risk in the gateway cities are immigrants, you see it, as you see in many of the gateway cities in the region.

Number eight, community capabilities in terms of helping communities address, you know, how they do risk assessment, geographic tools to measure their impact, facilitate the creation of tools to dispose of properties floating in limbo with greater transparency. You know, capital redevelopment cost to fix properties in the rental stock. Development street by street, it is house by house. Number 9, what, you know, there is a critical issue, it touches me every day, and it is a very big concern of the people who I workday in, day out, that's students.

What impact is student debt burden having on community development, perhaps breaking that critical linkage between place based and people based development.

You know, can young families receive student debt burden relief as incentives to buy and stay in communities? To participate in the activities of certain communities? Some sort of an indirect working Corp. Number 10, develop applied research with the needs of smaller, mid-sized cities, small and mid-sized cities are nowhere to be found in the policy Agenda of the many national and federal institutions. Finally I think it would be important to create internship and education to advance the professionals to work in the communities and to familiarize them with the work of regulators. At Clark for example we work with OSHA, it is an interesting experiment to put together a number of other organizations and educational institutions to this cause, what would be the best way to train professionals for community development and to have the sensitivity to understand what also happens in regulating the institutions. I think that there is a very interesting initiative that has been sponsored and created and organized here in collaboration with the Federal Reserve Bank of Boston, the working city challenge project which I believe could serve as a prototype to further connect entities which otherwise tend to remain distant from each other. Thank you very much. I hope we can continue this conversation in the future. Thank you.

>> ANNA ALBAREZ BOYD: Thank you. Thank you to all of the panelists. I want to invite the members of the audience to come to the mics with questions you may have. While you think about those questions, I will go ahead and ask a question of the panel.

Many of you are working directly in communities with just a variety of different kinds of institutions, could you comment on the types of activities that community banks are involved in that make a real difference in LMI communities and what should we as regulators think about in terms of making enhancing that ability, what should we be doing to support that?

>> Thomas Callahan (Speaker) community banks given my earlier comments about some of the big bank strategy or the mega bank strategies of moving away from locally based programs, community banks have always played a critical role but it is possible to play a more critical role now because they are the bank, the institutions left to access the locally based programs for instance the one ran by the mass housing partnership, there are 30 plus banks participating in that and there should be more, there should be more community based bank, not every community-based bank is taking advantage of those opportunities.

Many are.

They are helping to replace some of the lost market share that comes when a big bank does not participate. Unfortunately I don't think that the community banks collectively can make up for the loss of those large institutions, I think it is important to have a mix. We do appreciate the community banks that have stepped forward. When I say community banks, that's a broad range. The biggest banks in the program, for instance, are Santander and Citizen's Bank, those are big banks and then smaller, local banks, the City of Boston Credit Union, Meeting House Bank, Mountain One Bank, those are a range of sizes but those banks participate in that program as well.

More community -- I think -- I hate to lump that into a category. I think like any category within the community bank category, there are good -- what we would consider good community banks that really are in touch with their low and moderate income communities and programs that assist those populations and then there is institutions that are there physically in the community, but not in the bricks and mortar sense but are not really active in the programs that are serving the LMI population.

>> I would echo the remarks of Tom, in New York City, the large banks make up an overwhelming proportion (Benjamin Dulchin) in New York City and we focus less on the

community banks. We really focus on products and behavior even though there is no good or bad institutions, there is bad or good loans and activities, we focus on that. That being said, particularly as relates to lending, although a portion of the market is small, often the community banks have an important role in creating pressure across the market for better activities and for better standards of lendings, we think that the role is very important and they often in the area of economic development have a more sensitive touch to the way that they're doing small business lending in the neighborhood which would well be handled by the larger banks on a larger scale.
Patricia McCoy (Speaker) in Massachusetts, very small community banks are very vibrant in the area of -- there is a program Mass saves, energy audits, they do that in people's homes and then if you retrofit the home with energy efficient equipment you can get a no interest loan through a community bank. I just looked at that this last week, there is not a single big bank on it, it is all community banks.

>> Since we have a couple of minutes, I was hoping to get the panel to talk more about mortgage availability. There is obviously an enormous amount of commentary since the crisis, since the changes in the intervening years about how -- while mortgages are quite inexpensive for people with very high credit ratings there is a lack of availability (Daniel Tarullo) of mortgages for first time buyers and others who ten years before the housing bubbles would have qualified but now no longer seem to. Several of you asked for more to be done under CRA, a couple of you cautioned not to rush to judgment on the impact of some regulations. I wonder if one or more of you thinks that there are any regulations, particularly those within the control of the three of us, the three federal banking agencies, that are inhibiting the availability of mortgage lending for good, but not extraordinarily good credits in particularly the first-time housing sector.
Razz (Speaker) I'm not a housing expert but from the work of our -- we have a land trust also that we have used as an important instrument to stabilize the territorial entity or target area that we work.

We have been finding increasingly difficulty in getting banks to work with potential homeowners in the context of not liking or approving the land trust.

Understanding that there are some elements that are very important for the long-term stability of the area. We have had a great deal of trouble finding financial banking institutions to work with us in finding mortgages for people who want to buy within the boundaries of the land trust.

>> I can't think of any regulation that is specifically impeding mortgage credit, but I can think of two major activities that all of the potential of regulators are engaging in and probably more would be helpful. One is I think we really need to focus on what are -- Patricia McCoy (model ways of innovative underwriting to figure out ways of discerning credit-worthy borrowers with unconventional profiles. For example, instead of using conventional credit scoring models, using ones that will recognize rent payments, utility payments on time at the same times as being able to pay a mortgage.

The research efforts of your three agencies have been helpful to date and will continue to support that, the author is in some way the lack of demand is a moving target as people's average credit profiles improve, more and more people will qualify. Financial counseling can speed up that process. There is a lot of evidence that people who go to good non-profit credit counselors can see their credit scores improve on average 200 points in a relatively short time period, maybe a year. And that's an important thing. Thank you.

>> I also don't have a specific regulation but want to underscore the point that -- I think that speaking from Massachusetts' perspective here (Thomas Callahan) we have two good state-supported mortgage programs that help reach hard to reach populations which the banks, I think, have a hard time doing. The fact that Bank Of America, Citigroup, wells, I'm forgetting somebody, they do not participate in those programs, not just here, but I think in BOA case, they pull out of every program in the country, every single one, that has an impact on not reaching borrowers, and I understand they want one mortgage platform across the country that looks the same and it is all about mortgage efficiency, but you're going to lose serving people when you do that. We have to come together, I think, and figure out a way, regulators, the big banks, the community groups, and to figure out a way that that loss -- BOA, it is a powerful engine of reaching people in Massachusetts at least, they have a great branch network in low market group neighbors and they have an ideal branch network, they have a lot of LMI customers and they're not serving them when appropriate mortgage product anymore in our opinion.

I think there are things to do, not maybe on a regulation -- but it may be a tweak or maybe better enforcement and as I said earlier, more critical questions on how they're reaching or not reaching underserved populations.

>> ANNA ALBAREZ BOYD: We have a question from the audience.

>> I'm Emily Kabitzny, compliance manager of a community financial institution located

in Brocksberry. I'm newly employed by Boston Community Capital as of January this year, we may one of the first CDFI's that actually employed a compliance manager, the reason for that is thankfully we have grown as a result of investments from both the Department of Treasury to the CFI fund and equity equivalence from banks and we have been able to maintain liquidity through lines of credit from many larger banks both here in Massachusetts and also nationwide.

As a result of that, we have a laundry list of covenants we need to maintain compliance on and what I wanted to trek your attention to is the fact that as a CDFI we have a certain baseline number of covenants that we have to comply on with regards to how we operate, manage our books, et cetera, and how we report, how often we report, and then on the other hand we have a larger laundry list of covenants that we maintain with our bank partners which is fine, it is just that there are some that I believe come down through EARPRA including the BSMLA, for a CDFI with assets of no more than 100 million we're attempting to find the sweet spot of where we can be compliant with our bank partners on BSAML but not having the kind of -- we're not non-regulated institutions, in some way the regulations that are coming through the banks, are being passed through to us as a CDFI whereas the Department of Treasury itself has not past those through to us. It would be wonderful if there were some clarity for the banks when developing a relationship with CDFI partners that they could feel comfortable or at least provide more clarity as to how much of these regulations need to be passed on to CDFIs and perhaps some of them -- not all of the banking relationships have actually past these on, there is a handful and many of those particular banks are feeling it would be risky not to include the covenants. Checking OPAC lists on charter school principals, some of -- this is so some of the things I'm responsible for now. This is just an observation of something that may be an unintended consequence of some of the regulations.

Thank you.

>> ANNA ALBAREZ BOYD: Thank you for your comment.

>> A quick question, I want to thank the panel for the thoughtful comments. Very helpful.

Pat, I wanted to follow-up on the specific point you raised in regard to reporting requirements under the fair housing act and do you really think that there is overlap there? That there is room for some streamlining of reporting? Patricia McCoy (Speaker) I hadn't looked at the specific data fields of the two. If occurs to me that since HMDA collects demographic data and the Fair Housing Act with respect to mortgage lending outcomes does as well, there should be some overlap in the data fields.

>> DAVID COTNEY: Several of you talked about branches either directly or indirectly, and I would like to hear a bit more. There is a number of pundits say that say the branch is dead, it is going to go away, mobile, Internet, you know at the same time you have banks and community banks that continue to rely upon the branch network stain we're also seeing changes, changes in the size of a branch, change in the staff at the branch, what they do, you know, certainly locally here in Massachusetts we see community banks who are opening their first branch, expanding a small branch network, and then at the same time we have large institutions, you know, one out of state institution made a big splash about six, seven years ago, opened 30 branches in 12 months taken last year after reconsidering the network closed more than a third of them and one of which is not too far from me, Cleveland circle, where there was local businesses there that got replaced by this bank branch to great fanfare and now it is, you know, a big for lease sign up. I would like to hear, you know, either philosophically, where you think -- what you think the role of the branch is particularly in low and moderate income communities and specifically how regulators should look at it differently going forward under CRA.

>> Benjamin Dulchin: We hear a lot that the branches are dead. A simple exercise in New York City suggests that it is a non-argument for the bankers to make, that branches seem to be dead in the Bronx but in wealthier neighborhoods, Manhattan, the branches are not seeming to be dead. You can't walk two blocks without running across at least three banks from lower Manhattan all the way up to 120th. In the Bronx somehow they have no utility. Clearly branches serve a purpose, otherwise wealthier neighborhoods, the banks wouldn't put money in to them. They support the customers and educate them on the products and the evidence to the contrary are really self-serving on the bank's part. That being said, you know, clearly we're in a new terrain now, a bunch of new products that could potentially bring a lot of new utility, we have been struggling for a while, we have been arguing, you know, for branches over the years, we clearly understand the utility. They also haven't fundamentally altered the financial calculation of the low income populations and so having additional tools available with the more modern financial products may very well be helpful in order to supplement the branching but really can't and should not be a supplement, we have been particularly focused around the immigrant communities in New York City who are often scared away from trying to have online

services because they're with online services, they're only allowed to open up an account with one type of identification which they may not have where local branches understanding, you know, both the legal and the language need of their community can be far more flexible about that. That's important, that's about the branch.

>> THOMAS CALLAHAN: Those that may say that the branch is dead, I would like them to come to me with our organization's local branches in common square in Dorchester, the Citizen Branch, come any day of the week but certainly that Friday, that branch is well used by a lot of low, moderate income folks that still value and still take advantage of face-to-face banking services. I think that trend is overblown, you know, clearly we're in a period where there is experimentation of what the new branch will look like, I would like to point out one compliment, the Fed for their decision a couple of years ago with the capital 1IGG merger where the cafes which were non-deposit taking cafes, I think as part of that merger agreement, if I understand that correctly, the Feds said no, you have to take the deposits at the cafe and that has directly impacted Boston here capital one is doing an experiment where they opened multiple cafes here, I think it is the only region where they're opening -- the plan is to open 5 cafes and because of that, that decision, that merger, capital one has responsibilities here in Massachusetts for the first time and I think it is good to see regulation sort of adapt to a different model, the cafe model is unproven, even capital one would probably admit that. So we need to I think adapt and be open to new technologies and new ways that branches can look different but I think they still play a critical role especially for LMI customers.

>> Patricia McCoy (Speaker) very quickly, I heard you mention the cafes, if we can reimagine the branch in these neighborhoods, that tells us it is vital, the single most vibrant branch I ever visited was in an old grocery store in inner city Hartford which had an in-store branch of a local bank. I would go grocery shopping Sundays maybe 1:00, 2:00 p.m., I have never seen such a jammed bank branch. It is about the hours, and it is about the location.

>> RAMON BORGES-MENDEZ: I have ex experienced something I never experience, I deal with behavior, urban areas, I have started working with farmers sort of trying to, you know, why don't you use the resources that are available online, that's when you start into the functions of irrational behavior. My father did it that way, my grandfather did it that way, I'm going to do it that way. It doesn't matter how much you expand, showing, demonstrating efficiencies, of ways in which could be done better, I'm saying this because you could just tell people they are

ATMs available, they are online transactions available, but still the branch, the presence in a particular space of something that says Bank Of America or that says whatever, it is a very important encore for the purposes of having communities trust institutions, trust is something that you cannot feel, touch, but if you look, it is often troubled to look for toker excitement, especially large immigrant communities, when it comes from experiences, the banking institutions, they're not the most memorable or functional organizations. So I think that there is an element which may be symbolic, but is very important from this standpoint of trusting the communications and creating the context where the communication takes place between the communities and I think this is an important function.

>> One last quick comment too, when the branches aren't there to service those communities other lenders fill that hole. (Brenda Clement) that's not necessarily the best, that provide the same services to the community but usually to great cost to the consumer, for all of the reasons that I think that hour colleagues mentioned, the need for, so looking at the regulations again to try to provide the appropriate incentives or the requirements within institutions to maintain a local presence I think is critical.

>> ANNA ALBAREZ BOYD: Well, I want to thank all of our panelists. It was really a wonderful discussion. Thank you for your thoughtfulness, I certainly hope that all of the panelists will join us for lunch as well. With that, I'll turn it back over to Art for the logistics.

>> ARTHUR LINDO: I recall a refreshment economics, the more lively of the debates was whether or not there is actually a free lunch. So to that end, I'm not going to say that the lunch is free as much as I would say that the lunch for today has been provided for you. With that said, we will get you out of this room and into the lunch area.

A couple of housekeeping items: Lunch will be on the fourth floor in this building. There are two elevator banks we'll try to make use of, there is one right outside these doors here. Then we will also make use of the elevators towards the front of the building. Staff will direct you to the elevator banks so we can get everybody up to the 4th floor promptly. When you get up to the 4th floor there is a box lunch, notice I didn't say free. You can make full use of the lunches there as well as there is going to be seating. The lunch will be provided in an area we call the bridge. The bridge has seating on both sides. You're allowed to use the seating in both the New England Room and the commonly center. There is no assigned seating. Make use of the time as you see fit.

I hope you have spirited discussions while at lunch and since we're right on time at 12:15 we'll reconvene for hour next series of panels at 1:15. Enjoy your lunch. I'll see you back here at 1:15.

Thank you.

>> ARTHUR LINDO: If you just take your seats we are going to get started with our next panel. I hope you enjoyed the lunch. I thought the setting was very nice. You were able to go outside and get a little fresh air and get a dose of this Boston weather that we so often think of as cold but it was nice and warm today. With that said I would like to introduce our third panel which is on applications and reporting, powers and activities and international activities in banging operations regulations. Let me introduce Toney Bland senior deputy comptroller mid size and community bank supervision. Has present responsibility include oversight for OCC mid size and community banks and examiners and staff who supervise them. He reports directly to Controller Curry. I will turn the program back over to you.

>> TONEY BLAND: Let me start off by thanking you for coming back from lunch. It is nice outside. I came back because I had to moderate this but otherwise I would be somewhere else. We have four categories that we are covering this afternoon on panel 3. It is rules pertaining to applications of reporting, powers and activities, and international banking operations. Just to give you a flavor of what some those rules cover, under applications and reporting as the bank merger act, change in bank control, car reports, the deposit insurance, filing procedures, under powers and activities we are talking about investment in bank premises and community development investments. Under international foreign operations and national banks, edge app corporations and last live under banking operations you have assessments, availability of funds and collections of checks and reserve requirements. Similar to the other panels our goal is to have panel provide as specific comments as possible on those regulations that are outdated, unnecessary or duly burdensome. I am pleased to be up here with a very distinguished group of individuals who are committed to making this excite and very energetic. So with that let me just briefly go over who is up here with me. And as you know in your packets we have their full bios but to my immediate left is Jim Dunphy, he is the executive vice-President and chief operating center of the South Shore Bank. In July James will be promoted to the position of President and chief executive officer. South Shore Bank is a state charter institution supervised by the Federal Reserve. It has an approximately 1 billion in assets

and operates in 14 locations in Massachusetts. His institution was established in 1883. Next to James is Sandra McGoldrick. She is the President and chief executive officer in Winter Hill Bank in Massachusetts. It is supervised by the OCC. It operates from three locations. And the bank was established in 1906.

Next to Sandra is James O'Neill. He is the President and the chief executive officer of Federal Savings Bank in New Hampshire. Federal Savings Association and has more than 3 million in assets and operates from five locations and the bank was established in 1890 and to my far left is Mary Ann Scully. He is the chairman, President and COE of Howard bank in Maryland. Howard has more than 690 million dollars in assets and supervised by the FDIC. And it operates from 13 locations in Maryland and one in Pennsylvania. Should also mention that Mary Ann is also on the FDIC community advisory council. Thank you for agreeing to be a panelist. Similar to the prior panel -- each panelist up here will take ten minutes and between Art and I will keep them on track. We want to get to comments from the audience. What we will do to get started I will ask James to provide his comments.

>> JIM DUNPHY: Thank you. It is an honor to be part of the panel and to be here with the distinguished guests and the audience. On the big picture what I would like to start out with is on looking at regulations and rules is to make sure as community bankers we have a tailored approached based on capital in our risk profile many in the community banking realm have very simple operations. In the public we live work and play in the communities that we serve. And we would not be allowed to do some of the things that would hurt consumers because we have to see them at the soccer field and see them at the supermarket and that will be a great equalizer and what I have accumulated a few topics related to our panel based on some of the comments on the fellow bankers as they saw I was on this. One of the things is related to the overdrafts in the concept of available versus actual balances. And while we are not dependent upon the fee income generated with that it is more of a safety and a risk profile of allowing some of these clearing items to happen versus having an actual balance. It is one of the topics that we saw that seemed to be important. We -- the fees that we charge are more to change behavior than it is to look at to make a lot of number off of it. The other topic that we came across was the idea of wholesale funding. As we continue to shift from where we are in today's environment with interest rates and banks being flushed with deposits some of the rules that came in could create some problems there as we try to navigate through that and we still want to have the ability to

lend and do transact business in our communities and some of that may require us to utilize wholesale funding. So too tighten that too much would create some problems. The other area that we at South Shore Bank are trying to hard to work with our fellow community bankers is with a shared services model. Being creative in how we create less overhead, whether through vender management, shared back room operations and we have been successful on a few trial situations with that and as that discussion was being talked about a couple of banks down on the south shore in our marketplace have been trying to get together and collaborate with some solar electricity and little things that came through and not so much how the decision making goes but the process that they went through as a community bank trying to be creative. All of them are well capitalized and well run and to be able to try these things and some of the feedback that they had was the application process was not always clear, what forms to file, what analysis is necessary and where to send it. Standard by which decisions were made wasn't always clear. Because the process is vague as smaller banks lacking the resources to get through that process, to hire attorneys and others that do could become quite costly and didn't feel will was a lot of give and take on the regulatory side to try to work through this and then the length of time to get feedback on those decisions was some of the items that they dealt with. Other items that were on my list to bring up was we heard I think from earlier panel that I think it falls in to this one related to regulation D in how we deal with and now that we can pay interest on checking accounts and a whole look at that and where the reserve requirements fall and as we continue to compete with nonfinancial institutions and how they can have stored value cards and other things that we need to be open to how that works. Was also brought up, I don't know if this falls in to here but the whole privacy notice, electronic means and it can be on a website. Then the idea of indexing certain thresholds such as the CTR reporting, seeing whether the 10,000 limit has been out there for quite some time. CRA which I am not sure falls in here, but that would be helpful if the small business thresholds of a million dollars as we continue to grow and do that it would be very helpful if we can see that because some -- a million dollars isn't same as what it used to be and refers to the criteria there. The appraisals were brought up. So looking at indexing some of these thresholds where we know there and then the final thing that I wanted to bring up in where it deals in here it is one of the things at South Shore Bank have been doing with is some of the data breach issues and making sure while we are very regulated and do all of the different penetration testing and all that, the payment system is slowly by surely moving to nonfinancial institutions and at least being able to have an equal playing field. Some of the rules and regulations that we deal withholding some retailer and Apple pay get in to that cycle making sure that they have the same things because obviously we are the ones paying for it and it becomes a trust issue for the community bank. Most consumers trust us and look at that and they understand it wasn't us that lost the data. Well, it may be mission creep or moving away from where the powers of the regulators have how do we get that over there and get them to an equal playing field. Thank you.

>> TONEY BLAND: Thanks, Jim.

>> SANDRA MCGOLDRICK: Thank you for the introduction and the opportunity to address you this afternoon. I understand that the goal of the gripper is to identify outdated unnecessary or unduly burdensome regulations and at the same time ensuring the safety and soundness of the banking industry. After review of the outlying categories I wanted to key in on regulations that we have had to address on a regular basis and more intensely over these last two years and it has had a material impact on human resource and devoted time and expense. Before I jump in to these issues and my remarks will be kept to 10 minutes I would like to note that the recent testimony by the OCC Controller Curry and bland there is help on the way. That one size fits all approach to regulations does not work and proposals have been submitted to Congress that would exempt some 6,000 banks from the VOCA rule and allow well managed community banks to allow for 18 month community cycle from 500 million to 750 million but we agree that the level should be raised above the 750 million dollar mark. The support that is needed and provided more flexibility for federal thrifts, so these thrifts that wish to expand their business model and provide a broader range of services to our community may do so without the ex-pen of changing our charter and regulatory agencies. In view of the fact that relief may be on the way in these areas I want to express support and the need for these changes to occur. Now to go back on point, I'd like to address two items that fall under category 1 applications and reporting. I'm sure my first comment won't come as any surprise but it is the call report. The call report has morphed to approximately 80 plus pages with close to 2,000 line items, instructions to complete the call report are comprised of approximately 1,000 pages and the estimated average burden associated with the information collection process is 50.4 hours per respondent. The information collection range is estimated to be vary from 20 to 775 hours response depending on complexity and sophistication of the reporting bank. As one example the newly modified schedule RCR

regulatory capital section that includes the new come and equity capital tier 1 component that is supported by 120 pages of instructions. The call report has become so onus and voluminous in nature that it requires a seasoned individual to oversee and/or complete the report. The collection of information now involves every area of the bank and I have yet to mention the supporting document that must be retained as backup for further review by auditors and examiners. We certainly understand the importance of the call report. However review should ensue by the agencies to remove line items that may be considered obsolete duplicative or provide little value in assessment of the individual institution and have well capitalized and well managed banks by full call report semi-annually for quarter ending June and December and then for the interim quarters file a condensed version. I am sure we are all aware of the very nature of regulations. It has a layering impact as others refer to a creeping effect. As more information is required as regulations and reporting continue to expand more information is also required from us.

A thorough review through the gripper process should identify key areas. As a side note an article in recent banking trade magazine I'm not crying,

(Laughter).

>> SANDRA MCGOLDRICK: Stated although I should.

(Laughter).

>> SANDRA MCGOLDRICK: Stated that the nation's largest credit union with assets over 58 billion files a 28 page report with NCUA. An item I would like to address is interest rate risk reporting. Back testing to qualified third party it is management's assumptions and input in the process that drives the results of the entire report. Therefore a clear understanding of the entire process by bank management is required. Due to the many changes that have taken place under interest rate risk modeling we have worked closely with our consultant to ensure compliance with the regulation and accuracy that our IRR risk modeling is a useful document to manage the bank's balance sheet and control interest rate risk and liquidity. I cannot claim authorship of the following mapping pertaining to the interest rate risk that credit should go to the bank's consultant. In order for us to fully ensure that all government sources were utilized and had appropriate weight in the IRI process our concept to map approximately 12 government documents beginning with the joint policy statement on interest rate risk from 1996. I would also like to mention that this process and mapping ultimately results in a questionnaire that will

be utilized by us to ensure that all of the points in the government publications are included in our interest rate risk reporting. We know that liquidity plays a major role in the IRI process as banks continue to identify resources for liquidity and those documents were consulted. The following are the publications used as resources in the reporting of IRI I will begin with the joint policy statement of interest rate risk May 1996 that I mentioned earlier and it is followed by the liquidity risk management followed by the January 2010 interagency advisory on interest rate risk management that was then followed up by additional questions that were asked of that report. Followed up by the funding and liquidity risk management interagency guidance and then I will stop but there was approximately six more documents that cover these important topics. And lastly we also considered the OCC comptroller's handbook dated March 1998 for guidance. They cover a substantial portion of the mapping necessary to satisfy the interest rate risk reporting. And regulations. The government documents that I mentioned supersede a joint policy statement of IRI of May 1996. The documents mentioned describe a progression in thinking among the agencies and rightfully so. About the management of financial risks. These advances and understandings suggests one final step. A single consolidated interagency document removed or redundant information and advice and then acknowledges the complex interplay of the interest rate risk and liquidity risk and provides guidance for institutions like Winter Hill Bank for the coordinated controls of both. These two reporting areas that I just mentioned alone require an enormous amount of human resource expertise and expense and although not a topic for today we have yet to address the other regulations that as bank as we now face as a result of the CFPB role in the areas of consumer compliance and more specifically the addition of and revision to numerous mortgage lending regulations and these include the ATR, QM regulation, servicing rules MLO compensation regulations the new truth and lending and the proposed new HMDA data collection and reporting requirements that may expect to expand from 25 fields to approximately 150 to 200 fields.

Lastly I would be remiss if I did not mention the additional reporting requirements of the secondary mortgage market in mortgage insurance industry that have layered additional operational challenges and expense such as prefunding and post funding, closing quality control, appraisal review and the additional delivery process and this is just to name a few. That concludes my observations and views and again I want to thank you for providing me with the opportunity and the forum to address you on this very important issue, especially affecting all community banks. The caliber that's needed today to run institutions are no -- it is not the same. So the expense is -- the expense is there. So again thank you.

>> TONEY BLAND: Thank you Jay.

>> JAMES O'NEILL: Good afternoon and thank you for inviting me to this forum. Regulator of OCC and director Curry and Toney Bland. Since we have become regulated by the OCC we have had a great working relationship and I commend the OCC team for their support and guidance over the last few years.

One of the things that I am very concerned with is the expenses and the regulations that are coming down on community banks and how they affect the bank but also the community that we serve. As Toney mentioned we are a 300 million community bank and have branches five branches in the local sea coast area and I am going to focus in on some of the reporting requirements that I think they could be looked at. I promise to keep my points brief. But hopefully right to the point. Extending of the exam cycle from 18 months to 36 months is a reasonable thing to take a look at. Especially for banks that are rated 1 and 2 and maybe go to 24 months for three rated banks and the reason I say that is we have quarterly call reports with the OCC which I find extremely helpful. And it commits a great dialogue back and forth but during those conversations we have the information that we provide to them is Alco report, liquidity information and stress testing enterprise risk management data, personnel changes, market information, minutes to the board meeting, and anything in any other information that happens to be on the OCC's agenda.

So I think that covers quite a bit of the information. You have all the call report and I think that makes sense to take a hard look and see if we can't extend that period out. That would help reduce the cost and free up the staff to be involved in other items.

I would also suggest that be a complete review of the call report. Requirements in the different sizes for different institutions. The question that I think needs to be asked is what information is really needed for safety and soundness versus what is nice to have. There is awful lot of information as Ms. Sandra McGoldrick already mentioned and I think that sometimes data overload is just for data overload. It has a lot of information there that may not be as useful as we all think.

So it takes our CFO and our comptroller almost a week to prepare a report. To make sure that things are in order and again that that call report should be definitely looked at and see if you it can't be changed, especially for smaller institutions.

Another item that I think that needs to be reviewed is the underreporting. My question as far as that goes if the information is so important for HMDA then why aren't all the individual institutions as well as credit unions required to complete the HMDA information. So I question just what they are doing with all of that information. If they don't have it all from everyone. And they don't have a good database to work with. I think that the HMDA reporting is going to be extended which is going to take additional resources and additional money to add to those fields and sometimes I think it is data overload. And people are asking for things that would be nice rather than what's necessary.

Another issue that I like to touch base on and this is kind of a pet peeve for me, and it has to do with licensings of real estate lenders for report originations. Cost and time is a lot. We used to have our branches and assistant managers take equity line information. We had to change the operation around completely and my question comes back to what is happening to these funds. Every year we have to renew those licenses and I would be interested knowing where those funds are going and how they are being utilized and all the data that goes along with it. Certain originators may be, you know, disbarred or whatever. I know our originators were concerned about all the information that they were giving but again I am not so sure that that's required. We are reviewed and we are regulated and I think that's a regulation that is just overkill for my point of view. Another item that I think that we should take a look at is the small banks need to be exempt from BASL 3. If I remember right the OCC actually backed this exemption if I remember for small banks. And I do think that that should be looked at and continued to be pursued. Loan servicing changes, they are driving up the cost of servicing all the loans. And many small institutions may be selling off their loan servicings and if they sell off their loan servicings I don't think that's good for our customers or for the community but it is a realistic thing that may happen as we go down this road with compliance costs continuing to go up.

So those are some of the things that I think need to be looked at. I am very concerned as I said about the cost of regulations and the effects of small community banks is seeing more and more community banks that are having to merge with other institutions just to be able to handle some of the costs. So I do think that it is important to take a look at all the regulations that we have out there and figure out a way to get some relief for small community banks. Thank you.

>> TONEY BLAND: Thank you, Jay. Mary Ann.

>> MARY ANN SCULLY: Is this on? Okay. I just want to add my thanks to everyone else's -- for the very process that's engendered this forum. I think it is an excellent way to ensure that there is input and public awareness of what is attempting to be accomplished. I also want to say that I think that as a young bank we actually very much understand the value of a strong regulatory environment, not just to protect especially ensured depositors and investors but to facilitate a business model that gives us access to at the end of the day what is relatively inexpensive funding. Having said that as my bio would implicitly suggest we are in a rather unusual position and not just because I'm from Maryland and not Massachusetts and I am wondering why I am here today. But --

(Laughter).

>> MARY ANN SCULLY: Except in officer loan committee I always had difficulty saying no. But we are a de novo bank and a bank that has devised much of our strategies around growth and I understand that that puts us in to a unique position and one that is especially invites appropriately regulation. I will admit as an aside that I sometimes get fatigued by the fact that in the first grade I learned that growth was a six letter word and there are times when some of our regulators where I believe it is now a four letter word. And I think that's unhealthy for the industry. That that's the perception. Our growth has been organic. It has been acquired. And it has been acquired in a variety of different forms. Team lift outs on the mortgage side which means we are invited for ourselves the additional scrutiny on HMDA and branch acquisition and FDIC transaction and most recently a traditional bank acquisition and I believe that regulations are therefore important but they need to be relevant and again I applaud this group for making sure that they are relevant. And I also think that it is important that we understand that regulations can threaten the very industry that we are trying to protect and so when I look at this broadly I would hope for six principles to guide all of our regulatory scrutiny. One consistency and I would say consistency between the regulatory agencies as well as within the regulations. Regulatory choices is an important element of the banking system but I don't think that we want to -- we want it to be done on the basis of significant differences between regulations issued by one agency versus another. Transparency I think is extremely important as is predictability and some of the specific suggestions that I am going to make will relate to transparency and predictable. Practicality is something that we talked about all day as is scalability. While it is difficult in a rolling gripper process that we that it would be helpful to have a guiding set of

policy constraints that aren't guiding all of our policies so that they are more proactive regulations as opposed to reactive regulations. Specifically and I did promise Toney some specifics but I did not promise him any excitement. As a company that is de novo that has undertaken a number of acquisitions there are a number of observations I would make about some of the acquisition applications. In regards to transparency there is a very clear red line in the regulations that says that no four or five banks will likely be considered a successful applicants as acquirers. But in practice I think that this actually has affected a number of banks that are three rated banks and I don't what to dispute which of those numbers are valid but we should be clear about managing the expectations of the banks that are in that 3 category. Second I think that the concept of expedited approval is a wonderful one and there are some very specific guidelines and timelines in a number of the agency's regulations around acquisition approvals but I think that first of all, there isn't a scalability. There is, for example, some consideration that expedited availability is not available to anybody approaching the 7 and a half billion dollar level where that's the acquired institution and I think that given the redefinition about what large means, if that's something that we should probably look at. I think that the percentage of risk weighted asset rule is something that should be more scaled as opposed to just the -- if you are under 300 million that doesn't apply. If you are over 300 million it is 35% of assets whether you are a billion, 2 billion, 3 billion and I think some scalability there would be appropriate.

Second in terms of the process, I think that that the timelines all fall on one poor premise and that is the basis that once an application is accepted that things will move forward under a certain preordained and very transparent timeline. But there is no clear definition of what the acceptance of an application means. And to the extent that there's missing information I think more transparency about what's required up front and perhaps more honesty about delays in the process that really don't relate to missing information but just relate to an inability to get to an application should not be obfuscated by that definition of what accepted means. And finally I think that there needs to be better differentiation in what an acquisition actually means. Again we have been a very successful acquiror. I don't want to complain about any injustices in the process and this is intended to make it a little more transparent and a little bit more predictable but we went through a very similar process to acquire a 33 million dollar asset branch of another bank as we have to acquire a 200 million dollar whole bank and I think that's probably not something that was intended. So again I think there are unintended consequences by not being more transparent and more specific. I may be the only person who is asking for more specific regulations. I understand. Second I think in terms of some of the de novo processes our de novo process in 2003 and 2004 was clearly very different than that that's enjoyed if that's a word by those who are trying to establish de novo status today and I understand all of the very valid statistics that come out of certain states in particular on the dangers of de novos that are not closely watched or didn't have good plans to with or as most of us understand fall on the swords of bad execution but I do think that the absence of many more de novo applications being accepted today is ultimately something that's going to affect the shape of the industry. It is a statistical fact that the ability of de novos to replace some banks that are acquired is one of the things that's kept smaller community banking alive and well and so I would suggest respectfully that we might have thrown out the baby with the bath water and would welcome more de novos to come in and be able to have the kinds of successes that we have had. Second I think the change in control rules pose some significant problems. Somebody who has undertaken six capital raises I am picky about picking institutional investors and I would be the first person to agree that they don't have the long term perspective that should be associated at all times with a highly regulated and a highly sensitive and a highly important to the community industry like banks but having said that I think that one of the greatest problems that community banks face today certainly any that are able to grow is the access to capital. The higher regulatory requirements around the levels of capital, while perhaps very appropriate the more stringent definitions of what constitutes capital again which may be very appropriate combined with the difficulty some of it economic and some of it cost structure based to achieve a return on a higher equity level means that that access to capital was very important. And to make a blanket rather than a subtle statement that there is a presumption that two or more institutions that require 10% or more are acting in concert is making it more difficult for some institutional investors to come in to the market and ultimately if you are going to impair a community bank's ability to grow, you are ultimately going to impair a community banking.

Now on the subject of reporting I think that the old Fiducia definition of 1 billion dollars in assets is the threshold upon which management needs to begin making attestations on internal controls or as we refer to it in our institutions Sox 404 light is probably no longer an appropriate level that we ought to consider raising that to a two and a half or 3 or maybe even a 5 billion dollar level. Again for an institution that has chosen to be public like ours, six of one and half dozen of another but I think that it runs counter to some attempts that were made two years ago to allow more community banks to move away from being publicly traded to have more than 500 shareholders and yet if you have to have this Sox 404 like requirement at a low level, again it discourages growth. I don't have much more to add on the call report conversation than what my colleagues have already said other than to just state that my bank and we are a 700 million dollar bank. So I don't think really large. Just produced a 93 page call report and that's in the first quarter which all of us know is a lighter quarter than some other quarters in the call report status and I think that to have that kind of information available to the public and the regulators on an annual basis is probably appropriate but to have it on a quarterly basis does not seem to be worth the fact that literally 50% of my finance staff, two out of four people was involved for two weeks in putting that 93 pages together and then finally just on the banking operations side I'd like to applaud the agencies for what they have done so far for Reg CC, clearly in a world that has moved from paper based checks to electronic transfers and much needs to be done on Reg CC. I would encourage those in the room with the CFPB to please put this back on agenda. It has fallen in to a dark void recently and I think that all of us do need and looking for guidance on Reg CC. I personally be very supportive of a working group set of recommendations. This is a working group of the AE. Echo the clearinghouse payment system and the financial services have round table around the return process. I would clearly say we need to look at all of the definitions of expedited availability in light of electronic presentment. I would like to note that the examination procedures sometimes fail to show any level of tolerance for any individual mistakes that are made on Reg CC and I would think that examinations should look for patterns of errors rather than isolated mistakes and finally I would point out that the in terms of internal consistency between regulations that the language in Reg CC around repeated overdraft customers is soon going to run smack in to some of the regulations around overdraft protection programs, around overdraft fees which I personally fear are going to put banks in the position of just throwing up their hands and stopping to approve overdrafts at all. Which means we are all going to have very many more repeated overdraft customers. And with that I would stop and again thank you very much for the opportunity.

>> TONEY BLAND: Mary Ann thank you. Let me ask the principals if you have any comments or questions for our panel. Okay.

Any comments from the audience? It was that informative and that inspiring? (Laughter).

>> TONEY BLAND: David.

>> So I know, three of four panelists here are mutual banks. And putting access to capital aside, are there any other regulations or even federal laws that you think need to be looked at long term in terms of the viability of the -- for mutual banks?

>> SANDRA MCGOLDRICK: Everything that alluded to earlier we are having this layering effect and as the regulations continue to expand it is more of a burden on us from both the regulatory perspective and both for outsourcing the dependency upon third parties. We are now in to vender risk management. I don't think it will be far before we are getting in to an enterprise wide risk management. So it is all of these levels. The cyber security that we are involved with now, there is another layering effect that we have. We are also reviewing all of our core processors. We are looking at Sox 1 reports and Sox 2 reports and these are all in some portion some type of regulatory requirement. Are an audit requirement and so when you put all of those together for an institution of our size that doesn't have the staff to really dedicate to all of those it becomes burdensome. And so I do get concerned about where is the future of community banking going with all of these regulations that we do. I think we did a very good job at it. We are right there. We are able to comply. But it comes at a -- it comes at a price.

>> JAMES O'NEILL: As far as the capital goes there is a mutual bank capitalization opportunity act out there right now that will give the banks another investment tool to look at, to -- for tier 1 capital. I think that is important to mutuals as we want to continue to grow. And you have to have obviously enough capital to continue to grow. That's something we need to take a hard look and see if we can't support that and I know that's one of the items that the AB and the ICBA has that is -- I think a good opportunity tore community and mutual banks to raise some capital.

>> MARTIN GRUENBERG: I want to come back to Mr. Jim Dunphy raised the issue of the shared services model for background operations and particular effort made by the institutions relating to solar. And difficulties that you had with the application and review process. I would like to come back on that because I think that's something that we all have an interest in. And was the -- did you find the -- from your standpoint the agency's receptive, uninterested, not sympathetic. I am curious what the experience was.

>> JIM DUNPHY: Three other institutions, a few of those folks are in the audience if they would like to --

(Laughter).

>> MARTIN GRUENBERG: That's fine.

>> THOMAS CURRY: From a particular standpoint, it goes back to qualifying for small business, S corporation from our standpoint. It may be from an FDIC institution, from a -- a non-OCC power. I'm not sure. That would be my guess.

>> MARTIN GRUENBERG: Gentleman.

>> I saw 120 million asset size bank 20 miles of Boston.

>> We have been working with Mechanics Bank in Tauton and if you take the three banks and aggregate our assets it is less than a million dollars. And we are -- we are -- we know that cost of operations continues to (inaudible). Our banks have committed to independence on and I know our bank is committed to mutuality and we are trying to think outside the box and figure out what other opportunities we have to control our expenses. And the solar initiative is a great opportunity for the three banks to do something and the good news is our banks have made loans on both complex and noncomplex alternative energy projects. So we have been able to be a lender. Bob's bank has a small solar array on the roof of one of his branches. So he has been able to do that. But because of the fact that this is new territory where we are trying to put a solar farm on a noncontiguous piece of real estate, we wouldn't be a reseller because we couldn't produce enough. We are running up against an issue of whether or not this would qualify under the technical definition of bank premise.

>> I see.

>> Thank you. Thank you.

>> TONEY BLAND: Any other comments? Okay. Well, let me thank Jim, Sandra, Jay and Mary Ann for willing to be part of and to very straightforward and very constructive comments. Thank you very much.

>> I don't want to let you off too early. While we have got you here. I think all of you talked about the call report. And I think certainly the ICBA has made a recommendation. I think that goes along the lines of what -- some of what you were saying and some of what regulators have heard is how much more of a manual process the call report is than may have been imagined. So I'm wondering even if we are able to -- even if federal regulators are able to

narrow the number of fields required there is still going to be some type of call report requirement. So to what extent can this be improved in terms of automation versus manual process? Is there any room for improvement there?

>> SANDRA MCGOLDRICK: It is interesting that you say that because I didn't put that in my remarks. We do have ours all computerized and all the information does download but it still takes this enormous amount of time. What I mention has also happened is has now morphed in to other areas of the bank. So now we have to get other information. So therefore another layering affect has taken place and it takes us longer to complete that report. So my thought is it -- would it be beneficial to many parts of the report aren't applicable to us. So I'm saying is there some way that we cannot fill out that report but the report is -- it's very user friendly. I mean you click on it and if you are not applicable to that -- to that area then you just fast forward and it brings you to your next schedule but it still is 80 pages that we are completing. It is information that we have to sort out to ensure the accuracy that is going in to each one of these line items because subsequently we are audited and then examined on those line items and the question is where did you get the information from. And so we are pulling all of that information from and attesting to it. And then our directors have to attest to that very same 80 page report. Is there a way that it could be done semi-annually just to give us some assistance on that.

>> JAMES O'NEILL: I get back to the information of what is needed of a small mutual institution. How many data in that call report is really needed for small mutual banks compared to -- Bank of America or Citibank. All the systems you try to automate them as much as you can. We use Fisor and we get a lot of information from them and download and manipulate it through all sorts of other programs but still an awful lot of data and that data is not appropriate for small community banks. That's my take on it.

>> MARY ANN SCULLY: I would say much of it can be automated. Like Sandra we download a great many things. You have data integrity issues and to some extent they are compounded by the fact that there are regulatory definitions of certain categories. And so any time you have the same piece of information that suddenly becomes too very different pieces of information depending on what your report is the only way to ensure validity is to do a manual check periodically and make sure and then I can finally for us it is probably not the preparation. It is the editing and the checking of process that takes a good day because it's important. I mean it is something that's reviewed by regulators. It is reviewed by investors. We talk with some

investors oddly strangely rely on the call report even though that leaves them with no information about what's happening at the holding company level. But it is that -- it is the wanting to make sure you don't have garbage going in and then wanting to add it on the back end, that defeat, you know, or compound challenges of manual entry even if you are downloading automatically you are not going to stop that check on the front end and check on the back end.

>> JIM DUNPHY: I think also if there was some give and take on enhanced data. You have your desktop reviews. That could be some give and take that might offset that also.

>> ARTHUR LINDO: Okay. I, too, would like to thank the panel for your comments. And I guess at this point I will excuse you. We are going to take a 15 minute break and set up our next panel and we'll start promptly at 2:25. Thank you all.

(Break and resume at 2:25 p.m. EST).

>> ARTHUR LINDO: If you make your way back to your seats we will get started with our final panel. This is on securities, money laundering and safety and soundness and rules of procedure regulations. I would like to introduce Doreen Eberley who is our moderator. She is the director of FDIC's division of management and supervision. She is responsible for the FDIC's program to promote safety and soundness and those institutions to FDIC statutes and regulations and domestic and international banking policy development and supervisor enforcement provisions and regulatory approvals that allow to engage in certain activities and transactions. I can attest to her work ethic. She gets a lot of things in a typical day. I am sure in managing this panel she will be just as judicious. With that I am going to turn the program over to you.

>> DOREEN EBERLEY: Okay. Oh, it is on. Thank you Art. I couldn't see the green light. I was paying attention to the instructions from earlier. So just a word about what that means, securities is going to refer to transagent and security sales and registration. Money laundering will cover the bank secrecy act and suspicious activity reporting and currency transaction reporting and safety and soundness covers appraisals and real estate lending standards and safety and soundness lending standards and rules of procedures covers FDIC's resolution and receivership rules and all of the agencies uniform rules of practice and procedure and then any newly issued rules can also be discussed in this section. We are covering a lot of ground. So fortunately we have four very experienced bankers to help us. Let me introduce

them down the line. Joseph Scholl is President and chief executive officer of Walpole Co-operative Bank. Prior to joining Walpole he served 16 years in Shamut bank. Next in line is Mark Ricca President and chief executive officer of First American International Bank a 576 million community development financial institution and minority owned bank in Brooklyn, New York. He joined in 2013 and previously held executive positions with Carver savings bank and New York community bank.

GReg Dufour is President and chief executive officer of Camden National Bank a 2.8 billion dollar institution in Camden Maine. He was managing director of finance and member of the executive operating group for IBEC capital markets and he held a number of financial management positions with Boston Corporation. He serves on various volunteer capacities. And then finally Chandler Howard is President and chief executive officer of Liberty Bank a 3.8 billion dollar bank. He has long been active in community affairs and serves on a number of boards and commissions. We have a great panel here for you. They have got a lot of topics to tee up for conversation today and hope we can have some conversation after the opening remarks. So I will turn it over to you Joe to get us started.

>> JOSEPH SCHOLL: Thank you. Hello. Yep. I appreciate the opportunity to be part of the panel today. I will just let you know that Julie and I are having how much we can digest in ten minutes before Art tells us to stop. With that in mind when I asked to be on the panel a couple of things came in to perspective. One is we are only asked to do two things. We are asked to identify the regulations that can be changed and amended, equally important for those regulations that remain we are asked to look at the communication and how they are administered and it reminds me about two personality traits that we all have. The first one I remember when I was an analyst working at Shamut Bank and my supervisor would give us something to look at and said it is only going to take you an hour to do and it ended being two hours and then the two hours became three hours. And I thought it was me not doing a good job but when you have 20 other people say you are right. Those involved in the process and procedures unless you are working in the trenches you don't have a good perception of how long it takes to do the job and the second thing is we do all spring cleaning. If you are looking to take something from a kitchen drawer that has everything in it is a bias and that bias might be I can't throw that away. Because I might need it. I needed it last year. And I think we all have to be able to look at what we are trying to do and get rid of that bias and I'm not directing the panel

because those lenders are in the room what's the first thing you say to somebody when they say they want their collateral? None. That's your bias. So with that I'm going to use that as a back drop that we need to have an open mind on it and I am going to talk about four or five different items. The first item that comes in to play is we need an inspection and review of all regulations with a fixed dollar and that includes, for example, the appraisals. We have 250,000 dollar threshold for appraisals. From examination we have -- if you go through the academic exercise and taking the CPI at the time that these regulations are put in place, which is about 20 years, this is what -- and you extrapolate it to 12/31/14 the appraisal index goes up from 375,000 to 400,000. Why can't we do that now? Why do we have to get involved in looking at a number that was put in place many years ago. And if that number was probably very important at that point in time but it is less than important today. I'm going to talk about BSA. It is a very hot topic within the bankers. Again the threshold, I think the threshold for CTRs are the 3,000, 5,000, 10,000 really needs to be increased. Now there are those agencies that may not want to do it because of the bias. They don't feel it is appropriate. I would suggest that they have to find what success is. What is success defined as when you get a 10,000 CTR place -- that the bank places it. What are the results? What do we see? How many of those transactions really had merit to be able to stop the stem, if you will, of money laundering and I don't know if that's ever been done but it should be done. The other thing is we are being asked to provide financial information on a computer model with the CTR or the -- whatever. Why can't the agencies get together and say what do you really need from the banks and we can feed it to them on a monthly basis. We can feed it to them so it is -- it is copacetic and they get it automatically. Why do we have to go through the whole gyration of filling out the forms and being criticized. Why don't we give the information right away and here is the thing that really bothers me about the BSA right now. I wonder whether or not there is a conflict between CRA and BSA. And I apologize to the panel but I'm going to bring up some issues that were developed -- what in hearsay bankers talk, we talk amongst ourselves as to what's going on from an examination process. We talk about how this examination -- this examiner was doing something and this examiner was doing something else. It happens. What -- I have heard, just in -- just in the circuit is that there are certain institutions that have had very good, a satisfactory BSA examinations and late late they have not. But nothing has changed. The balances of the bank haven't changed. The customer complexion hasn't changed but for some reason it is coming down on them. In addition to that a couple of little situations developed. Overheard a conversation there is a gas station that's inner city in Boston that deals with discount debts and some of it credit. And they asked somebody from the bank to go out and sit in front of that gas station and monitor the customers that came in.

And see how many were credit and how many were cash. Finally and this is a personal area gets to me, an insurance agent, inner city in the -- and they go from apartment to apartment to collect money for either it be -- either be life insurance or apartment insurance and they take cash. The bank that was handling that customer told them that they have to leave because there is so much pressure coming on in the BSA. You are talking inner city and at a personal level I can relate to that. Because many many years ago I can remember an insurance agent coming to our apartment and collecting $5 for life insurance. So it is very real to me.

And I say that if you are going to create some sort of system or some sort of regulation you better know who is going to be impacted. And I -- and I am listening to the community bank panel today and I'm finally dawned on me there is a conflict. Things are happening. Banks are leaving businesses because they are afraid of the pressure that's going on in the BSA. I'm going to talk specifically about some of the regulations and then I'm going to move in to finally on the examination process. We look at -- we look at appraisers. And they are very critical to a lot of the community banks because of the type of business they do and recently there was an appraisal disclosure that was put in place with three days prior to an appraisal on a one to four family loan the borrower has to receive a copy of the appraisal. But the regulation makes no distinction between a consumer or a business transaction. And if you have a lot of customers, if you are in the construction business and financing construction, the builders don't care. But what it does it puts responsibility on us to be able to monitor that. But I wonder whether or not the regulation was really put in place just for the consume but because there was silent on that. Now all of a sudden that's one more thing we have to do and as I explained earlier the threshold needs to increase and maybe the threshold for New England is much different or even the Boston area is much different than you were in the MidAtlantic or middle part of the United States. Freddy Mac and Fannie Mae provide thresholds. We really need to be able to look at that. And it brings us to another issue, we need to be able to have the ability to be able to -- I suppose have an exception to the rule. And let me explain something. You have a borrower that wants leaseholds to their building. The building is unencumbered. In a given day the cash flow is 2.5 times. It is fully leased. They are looking for 400,000 dollars. We have to tell them you need an appraisal and you have to pay $4,000 for it and it is going to take four weeks to get and one week to review and have a good day. It is not fair. We should have the ability to be able to go and make exceptions to that. And I'm reminded what we do for Fiducia. We can we can do loans. We can participate in -- actually approve loans that are Fiducia exceptions on percent of capital. Why can't we do that in certain areas with respect to appraisal or some other regulations. It gives the banks the ability that are out in the community to be able to do something. I am looking at BASL and I know it is not part of the topic here but it is our lack of definitions. There is no definition, for example, on readily marketable assets. So there is a lot of angst going on in my bank in terms of let's define what readily marketable assets. We have yet to receive clarification as to what it is. Why is that important. Because we have capital. We have capital planning and we want to protect the integrity of the call report and reporting and we rule the day if we don't get those definitions or get some sort of clarification as to what it means that you could have some examiner citing us because they have a different opinion than we have. The final thing within that are policies and procedures. Years ago we had a policy and then you had a procedure. What we are seeing right now is that we are being told, your policy is too vague. You really need to put more information in there. It becomes a policy procedure and when I have to see a bring to the board a policy on fraud cert that's 12 pages long, and mostly procedures it is ineffective. The policy may not change because the regulation and the guidance may change but I assure you the procedure will change very, very fast and that means you need to change the document and bring it back in to the directors for approval. It doesn't make sense. We have lost track of what the standards are and I believe you need to have those standards. Finally I would like to talk about the examination process and I would like to say that I read -- I read the speech that vice chairman Hoenig made I believe last week. And if you didn't read it you should read it because it is very, very enlightening as to what's happening. I am seeing the regulatory environment really looking at trying to make changes to what we do with the examination process. They are trying to really hone in that maybe, maybe that the limits that we have are the time that we have may be you want to expand it, or maybe you want to change certain things. And one of the things that bothers me though that I see all the time for all the joint agency announcements coming up, there is a term that is used all the time, the -- you risk management is based upon size complexity and risk profile. It is vague. It is subjective. There is no standards from the regulatory. So you don't really know what that means. And I would surmise that the New England -- if you are a bank in New England the complexity might be a little bit than the bank in the Midwest. We need clarification as to what we mean by those words because it brings everyone in to a focus. We need additional communication amongst banks and the regulators. I submit that the regulators probably have various stress testing that can go on for either Alco interest rate and in a lot of information that they have about my bank and maybe any other bank that's in there and they know what they need to see and I would submit that over the years the MIS system to identify problem institutions has been infinitely better than it was in 1988 and let's take a look at what's happened since 1988 when the 500 limit was put in place and what's happening now. First of all, you have most banks have financial statements done by auditors, by certified public accountants and by the way they have a peer review. Second thing they should have compliance programs in place and they probably have a loan review outside and I'm going to submit that there is a far cry and far difference between what we rely upon outside to help us manage our bank and what it used to be like in 1988. That's why we need to be able to move forward and either extend it, extend it to 24 months most definitely 750,000 dollars and add a level of transparency that we need to be able to communicate better. There is no sense in having an exam and all of a sudden we are surprised as to what is going on within the world. There is no reason, there is no reason whatsoever this the senior management of a bank can't sit down with a regulator for one day out of the year and just to sit down and go over what the bank's business plan are and where they are going and what's happening. The communication level will provide I guarantee you a more cohesive planning process for the examination and we need to be able to put an exam together on a complexity of the bank. Case in point we are 430 million dollar institution in Walpole. I got a 20% capital ratio and that's a simple ASI ability equals capital. We do construction loans and CNI and more commercial and less residential. I have a pair up the street that's 430 million and they do strictly residential and they have a 9% capital ratio. I submit more complex with our capital than the 9%. So I would be treated differently. We need those standards.

>> DOREEN EBERLEY: Thank you.

>> MARK RICCA: Thank you. Am I? Yeah. Thank you. Thank you very much. Appreciate you having me here. This is an honor for me and hopefully my remarks will live up to that and contribute to this process. It is a wonderful thing that you guys are doing. So thank

you. The areas -- two areas I want to focus on today. One is safety and soundness examine timing I know this is new. Never heard it before we are bringing it up and the other is CTRs and structuring in BSA. I may mention a couple other points depending upon time. So this also is obvious but it is worth mentioning, and that is the overarching theme to all of us to what we are doing is risk management. You talk about in standards but it is a very difficult thing to define and I think it is an evolution. But -- and that -- risk management one thing it is to find a balance between the risk involved and the mitigation of those risks and we all agree with that. And I emphasize the mitigation of those risks not the elimination of those risks. It is better if you eliminate risk but not always. And from that mitigation of risk blends everything flows and what we are doing here today what we are talking about are two types of changes in you will. One for the mindset one is incremental changes, just changes, and the other is paradigm shift. You actually change the way you are doing something and I have got recommended some incremental change and one paradigm shift change I would like to welcome in. Both approaches are valid. Jack Welch former chairman and CEO of GE said when the pace of change outside your organization exceeds the pace of change inside your organization the end is in sight. And I think we will all agree that oftentimes the pace of change outside of our banks, outside of our regulatory spheres, outside of our financial services industry as a whole that the pace of change is exceeding some of the outside than the pace of change inside our banks, inside our individual regulatory agencies and inside the financial services industry as a whole. So if we keep that eye on that ball where is the change going we will be able just like Wayne Gretski skates to where the puck is. One tangent off the keynotes, the key to focus area and that has to do with the nonbank competition and we one of the things that I say is I'm not afraid of the nonbank competition as long as they are on the same playing field that I am on. But they don't have the same burdens and obligations and I know banking is a right. The license of privilege and with that privilege comes certain responsibilities but if people are going to play in the same area we are it has to be a level playing field otherwise you are tying your hand but society is tying your hands behind the back. So I implore, I implore you to continue to look at that to look at the nonbank banks coming to our market to make sure that the playing field is level. I want a level playing field and we will eat their lunch. Okay. Back, the other thing is important mindset is we are all trying to get it right or almost all. That's what we are doing here today. That's one of the reasons it is so exciting. The directors, how many directors have you run in to a bank saying I am trying to screw it up. Not too many. The customers, the community leaders and even the community activists they are trying to get it right. Regulators, and the legislators. All trying to get it right. And so if we are all trying to get it right and we have certain problems and issues something is a miss. And what I want to talk about later is BSA. The fines in BSA it is a million, hundreds and hundreds of million dollars of fines. You look at the facts of the situation but something is going to miss when we are having certain difficulties in getting it right and part of that does go with communication. Part of it doesn't focus and balance and again come back to the concept of risk management.

Let me now go in to safety and soundness in the exam cycle. Much has already been said about it. Exam cycle to a longer 18 months for bank center. 750 million as controller Curry suggests. 36 month exam cycle and some suggest raise it to a million. I want to step back -- one other thing, the notion has broader traction beyond us today because Senators Donnelly and Thune has introduced a bill that would extend the example cycle to 18 months for all banks under our bill. The issue has much traction, something on an incremental basis will get done.

So I want to throw one thought out there. Rather than say 750 a number, billion a number I want to take it back to a risk management perspective and it is important that we also say and might want to shoot a little shot at me on this, I am not saying that we must ensure every bank has a 0% failure rate. We don't do that anywhere in society. We don't have a 0% failure rate in loans or in deposits or overdraft. There are some exceptions. Space missions you want 0%. But other than that there is an acceptable level of failure including banks. That's the risk management balance and we have to look at that, when the -- we don't want the savings and loan crisis again. We know that and that's -- that comes with a balance. So looking at the total industry, when we talk about banks under $500,000 threshold my numbers are off. I am using former site that I found that had numbers of 12/31/14. 500 million threshold is a little over 5,160 banks and only 5.6% of assets. If you raise it to 750 as proposed, that brings it to 5590 banks, 430 banks more. 7.5% of the asset. Raise to a billion it is 5800 banks and 89% of the number of banks and 8.6% and now come here with the saying let's not just pick a number. Let's say we go with the 10% number. Now I think the right thing is to get statisticians to do a regression analysis to see where we are comfortable with this and -- but if you go with a 10% factor, 10% of the assets in the banking industry would comprise. You can look at the camel's rating. If you a camel's 2 you get pushed up to 18 months and if you are a camel's 1 you get pushed up to 24 months. Should be some benefit to that. I am not saying we go to sleep on that. What you do is -- I'm running out of time. But what you do is sit back and then you -- not sit back. You set in triggers that if -- on the camel's rating. You have capital changes by X percent. If assets grow or the asset quality changes by X percent write down the changes in -- you then those triggers and those triggers are going to be used to them review and decide if you want to bring in the exam. So you are going to triggers and ongoing monitoring and that will free the banks up to do what they do better rather than spend so much time on exams. I need regulatory exams to protect me from myself and protect me from my blind spot. I welcome them but could be better process of them. And also free the examiners up to spend time on really analyzing banks more thoroughly and properly and to see where the risk SARs and I submit that you look at other regulatory agencies but also other people in the industry. What do insurance companies do? They manage risk all the time when deciding who they are insuring. It is worth a look and you may come back with one idea that's worth its weight in gold or investors are making investment decisions all the time. So analysts, see what they look at and maybe there are things to help you manage the banks more effectively. If no questions on that I am going to move on BSA and focus on czars and structuring. I agree with the collective efforts of banks. To prevent illegal activities. Terrorist financing and human trafficking and money laundering and drug trafficking and other illegal issues. I applaud and support that of the it is a must have. Did we do it smarter and better. BSA violations have a share of problems. CTS and SARs. I want to tell you what I am proposing and need to hold your seats for a minute but I am proposing eliminating all SARs and eliminating the searches for structuring. Banks I rather have banks focus on customer activity including cash activity through the investigative process, through the alert process and rather have banks send their cash activity reports to safe (inaudible) because the SAR has a lot of repeat information than what's already in our system. That's how we know a customer deposits cash in one morning and pops up a message that we have to get a CTR. It is already in the system. Why have a 10,000 dollar threshold and then we would take our data which is an all cash transactions and send them in. And then so that then -- because one of the things, don't get too far ahead of myself. That would help the regulators or the (inaudible) dot monitoring and all cash transactions. If I am going to be laundering I will open up multiple accounts at different banks. If I am going to open my bank account at six different banks and then I do cash at six different banks. If you centralize it you are going to be able to see this, this TIN number across six banks doing tremendous amount of cash. You are still getting the data. We are still getting the data and there will be some other change that needs to be done and I know that the law enforcement loves CTRs. Since 1996 when SARs came the use of CTRs went out the window for investigating purposes but they are using CTRs to do the data finding. Did the money go. How do I file the money. Let's still give that data. That's important. I want the law enforcement to be able to follow the money. I support following the money. On a paradigm shift change what they are doing. I am not looking for structure anymore. I am going to be looking to see what does the customer do with the cash. 9200, what a waste of energy. What about what are they really doing with the cash. I don't get beat up by the examiners. So focus the energy on knowing our customers and what they are doing with the money I think is more effective. Huge paradigm shift that I think is truly worth a lot of effort and I will be happy to spend more time with anybody you choose to talk about and investigate it. I know there is pitfalls and areas where we must go to get it. Just one last example, CTR take about five to ten minutes to do a branch for someone who knows what they are doing and 15 to 20 minutes for a customer who doesn't know what you are doing. So that only affects the customer and not only affects our people but everyone else on line. So I have 7 people in BSA. I half a person is dedicated just to CTRs in the department. So it is a lift that I would like to change the focus. And could talk about alerts but we all know there is multiple alerts that can look at philosophy and look at cash and transfers and you never get layering from a CTR. Only thing you get is placement you got your computers to tell you that anyway. Then finally the only thing I want to say is one brief thing about appraisals and you have heard a number of things about appraisals. If it is a 50 percent loan to value, do you have to do that now. My people spend too much time on appraisal review. If it is off by 10% what do you care. Let's be realistic and do some risk management with appraisals and I would like to add that in to the other appraisal discussions. Thank you very much.

>> DOREEN EBERLEY: Thank you very much. We move on to Greg.

>> GREG DUFOUR: Great. Thank you Doreen. I also want to send my appreciation to the principals of the regulatory agencies represented here today. For this opportunity to speak about the regulatory environment in banking. As background as was mentioned I am President and CEO of Camden National Bank based in Camden, Maine. We acquired the bank of Maine on March 30th of this year. I am chair of the board of directors of the Maine Bankers

Association. We were founded by local people who had a vision to help their community grow and remain vibrant. I believe the large bank vaults that are testaments to the community banking and security for our customers. Likewise our basic operations are taking deposits and making loans whether for person's first home or to expand a business is another testament to community bank's abilities to create and encourage economic growth in our local communities. Keeping those fundamental elements of community banking in mind I would like to focus my comments on three areas where improvements in our regulatory framework can help banks meet our responsibilities while promoting economic growth in our ever changing world. Updating limits and thresholds and concerns of how today's world of cyber security is threatening the safety and soundness of the banking system and finally comments regarding the scope of safety and soundness examination process based on a bank's complexity risk profile. Have you heard in other panel discussions and even from today's panelists regulations and reporting requirements are appropriate in many instances. But many thresholds are outdated and adds little over site and value and the cash transaction report is a good example. Last year my institution filed 2116 CTR and 1087 were less than 25,000 and 229 were over 25,000. More importantly the question needs to be asked if a smaller institution such as mine has filed 1900 CTRs under 25,000, all of the CTRs under that threshold throughout the whole banking system is that being effectively used by the authorities or are they just being overwhelmed by this type of reporting in today's environment. A similar situation is also occurring with suspicious activity reporting or SARs. We believe increasing the threshold from 5,000 to 25,000 for suspected violations with a suspect can be identified and raising the threshold from 25,000 to 50,000 regardless of a potential suspect who provide material relief. I would suggest increasing the review period or update period from 90 days to 180 days to reduce the labor intensive process associated with updating SARs. Within this discussion I would also encourage regulators to provide consistent rules and expectations on filing SARs. In many banking circles the feeling is when it doubt file an SAR. The over compliance is based on the impression that it is better to file SAR than to risk the ramifications of not filing. In 2014 my bank filed 123 SARs and contacted just once on those SARs.

These limits in put in place based on the best information available and burdened the banking industry with additional reporting which may be taking attention from analyzing more potential threats. Area of limits that's been mentioned a few times today to move that limit from 250,000 to 500,000. In addition to the comments that you have already heard from other panelists I would point out on a recent study by the appraisal institutes indicates that the average age of individuals holding the highest appraisal the MIA is 60 years old. With today's limit and pending retirement of many appraisers a situation will occur the cost of appraisal skyrocket for the consumer and the length of time to receive appraisal to extend credit hurting both the banking industry as well as the customer. Turning my -- turning to the second area of my recommendations I would like to discuss improvements in Reg E because it poses a threat to the capital levels as well as the safety and soundness of the banking system as I believe today. My institutions has been impacted by 23 separate retailer card breaches in the last 12 months and eight from the headline grabbing breaches of national retailers and 15 others have been from small businesses. Under each case bank capital is used to correct the problems of nonbank and unregulated organizations. My bank currently has over 55,000 cards outstanding and takes a risk based approach to reissuing cards including tightening of security parameters which impacts our customer and monitoring potential fraud activity and reissuing when we see specific patterns emerge. We incur additional cost in each step and sometimes my staff works nights and weekends on monitoring activities or working out consumer's problems where the cards have been compromised. This exposure to the capital bank does not end after the headlines go stale. Just last week we began seeing fraud activity from a major breach activity that happened in 2014. When the fraud started in April 2015 of that 2014 breach we incurred within hours $5,000 of losses. The response time we have in place and process in place changed our security parameters immediately. We are now reissuing 3,000 cards related to that 2014 breach. Some of these card would vo had to be reissued because they would have been shopping at other retailers. So consumers would get multiple cards in a 12-month period from us. Bank capital going outside the system, the current system of not holding the offending organizations accountable must stop to protect our financial system. My personal view is any organization involved in the nation's payment processing system information security examinations much like the financial institutions. Interestingly enough we have the framework and talented professionals who can oversee those exams. As long as Reg E continues to put the responsibility on (inaudible) to protect the current breaches occurring at nonbanks who are involved in the payment system the safety and soundness of our banking system is at the risk. Final area of suggestions can be best summarized by changing regulations to encourage simplicity and reward for performance. I would respectfully suggest that financial institutions that are noncomplex well capitalized well rated should be rewarded by less intense oversight than those more complex less capitalized or less rated institutions. My first suggestion would be increase the safety and soundness of examination process for those less complex highly rated institutions. Today my institutions file quarterly reports. We examine annually. Today we have a process in place where regulators have more real time information at their disposal to understand an institution's performance. Second suggestion is to review the extent of the exam teams based on an organization risk profile. During the safety and soundness examination process like 2.8 billion dollar institution we usually have a team of 12 to 16 examiners on site ranging from 4 to six weeks. I have 480 employees in experienced area to interface with the examination team. In my role I have heard of examination teams of 10 to 12 examiners spending four to six weeks at banks with less than 125 million dollars in assets. Bank staff members are taken offline during these examinations. While my situation is a question of my compliance, risk and audit staffs being directed to the examination process, versus performing their normal risk and compliance responsibilities and smaller institutions bank CEs and lender officers are reflected in the examination process versus serving their customers. Updating thresholds and putting the responsibility of data breaches to the offending parties and encourages simplicity for reward for performance. Thank you for the opportunity to discuss this with you.

>> DOREEN EBERLEY: Thank you Mark. We move on to Jim.

>> CHANDLER HOWARD: There is nothing like being the last speaker on a nice day in Boston in 2015 and then repeating what everyone else has said. But I do think this very distinguished panel for giving us the time to hear about some of the issues that we are concerned with because at the end day we are on the same page and that is making our industry stronger and safer and more sound for all Americans. I want to talk about just couple of items. The first I don't want to pile on but I do want to speak a little bit about BSA and some of the frustration that we feel. Also I have two recommendations from my perspective might help as we move along in reviewing the regulatory burden that we are under. Finally without trying to sound like I'm polishing the apple doesn't have anything to do with the fact that my regulators are all sitting right here in the room, but I do want to close comment on what I see as an improved set of improved exam practices. And then close with what I think we could be doing going forward to help our industry as well as help from a safety and soundness perspective. So let me just start

with BSA. I think it is a topic that every banker in the country talks about. And I believe that part of the frustration that we are having as a bank has to do with the fact that we are being asked to be in the law enforcement business. And we are not equipped to do that. Our people are not equipped to do that. So we are very clumsy at being effective at following that kind of guidance. And if there is anything that we learned from 2008 is that there are those institutions and those organizations that propose systemic risk and those that don't pose any systemic risk and part of the issue with BSA for all of the community banks is that when you get down to the customers that you are impacting, it is the Main Street merchants. It is the pharmacy. It is the local convenience store. It is a small grocer. Those are the institutions that may be lower risk but as a bank by the regulations we are required that any of those types of customers that maintain account relationships are considered to be nonbank financial institutions because they issue money orders and wire funds. May expose the bank to higher risk and potential money laundering activities. And so we are forced in to conducting adequate and ongoing due diligence on those relationships when necessary by the regulations and there is a lot of judgment in that statement. Adequate due diligence. What does that mean? Well, if we know the local gross grocer and we all their business over course of a year is not a lot at risk, a local examiner may not agree with us. Ongoing, by regulation it is something that we have to do continuously. Also the bank is required to weigh and evaluate each risk assessment that we produce when we decide to bank one of these customers that has been in our community for many many years. Evaluate a risk assessment to arrive at a risk determination, determination for each customer and to prioritize oversight of resources. So the burden I think is intended for very high risk types of operations but what ends up happening is many of the customers in our community that are very local have been in the communities for many years are impacted by it. And it doesn't stop with local grocers or pharmacies. It also spills over in to the non-profit world. And so as community banks we not only bank non-profit organizations but we encourage them to do business with us to receive grants, grants from us. And so the challenges that we face in that environment are very similar to what we face with the others. So when we onboard a new customer we go through a whole process of asking questions upfront. We determine what type of business it is. If it falls in to one of these NBIF or nongovernment organization categories what the expected volumes and dollar amounts of their business is. Monthly we must go back and validate that what they told us is actually occurring. If we determine that what they told us is not what is occurring, then we have got to begin another process, including off boarding that relationship. And that's where it can become very frustrating. There is whole issue around if you bank ATMs we have got institutions that have ATMs or local establishments that have ATMs. We have chosen not to because there is an entire series of rules that apply to that. However we do ask about ATM ownership when we do onboard a new customer.

And simply if they answer no, we don't have an ATM, we don't stop there. We continually evaluate their activity by running key word searches against our files look for ATM settlement activity. If we find it we have to do a site visit and meet with the customer to understand the ATM component and where the cash going in to the ATM is coming from and then add them to our annual due diligence review process. And this is really one of the most challenging and growing risk reviews because we are seeing an increase in small business owners adding ATMs to their establishments. Due to the increased costs of accepting credit and debit cards. Rather than be charged the fee for taking card payments, rather take cash payments. And so they have these ATMs in their establishments. And unlike money service businesses private ATM owners are not required to be registered with the state or Federal Government. So they pop up all over the place. All of the reviews that I am mentioning are determined by each bank. There are no set guidelines other than the expectations outlined in the exam manual. As a bank I have to determine the extent of review and fine-tune those reviews on an annual basis.

So the theme that you are seeing or hearing about throughout some of the extractions that you pulled from the FFIEC really represent the continual ongoing review of the customer activity. Any time an account raises to any one of around 30 different reports each month in our BSA department and any time a name comes up on any one of those 30 reports an automatic one year look back review is performed. So we got to go look back and see if there have been any infractions. If the activity is already spiked to the level of filing a suspicious activity report then the one year look back is foregone because it has already occurred. Once an SAR is opened must be renewed every 90 days if the activity is continuing. And this is where our analysts spend a bulk of their time performing the one year look back. Look back in the 90 day SAR renewal. An awful lot of process and Main Street merchants that have been in our communities for many years. As it relates to CTRs I also would ask for consideration for a higher limit. A current limit is $10,000 and still the same as it was in 1970. There is very little historical information available to know if this threshold is still relevant to help law enforcement. We file about 240 a month and when we talk to customers or local merchants that deal in a lot of cash activity I ask them why aren't you using checks. Well, for instance, if it is a local builder, the builder gives a better deal to the customer if they pay in cash. So I talked to a lot of the local construction people and I say why do you want to deal in cash? And I know the answer is partly the obvious reason. But the other reason is because their employees often can't get checking accounts. And so they need to pay their employees in cash. And so the -- so the cycle continues. And the threshold and the amount of reporting that we have to do I'm not certain is really getting to the issue that it should be getting to. To your earlier point.

I also want to jump on a little bit on exam frequency and I would ask that you consider other items for exam frequency. So in our case, for example, we are mutual bank located in Connecticut. We have been there since 1825 in central Connecticut. We are not in Miami or New York City. We are the demographic is transient. We have a very stable customer base. Have had for many years. We don't do international financing. We only offer traditional products for both consumer and commercial customers. We don't operate a trust account, trust or assets under management division. We don't bank third party processors. We have a strong exam Camo ratings. We have a seasoned management team and with virtually no turnover and very much the same for our board of directors. So I would ask that those items also be considered as we think about maybe expanding the exam cycle to two years. In terms of I mentioned improved exam practices, we have seen some really, really good improvements in the exam practices. Starts with good communication with the examiners on site. And I have seen a really strong improvement in that area in the recent past. The examiners that we have dealt with are well prepared. They have come to our exams. Having looked at the information that we have provided prior to the exam, I sense now that there is a lot more open dialogue with examiners, you know, used to be sort of you are not doing this area correctly and we would ask why you are not doing it correctly. Now there is more discussion about what examiners are seeing in other areas and what might work better for our institution and we see that as a very good improvement. And finally in terms of a recommendation more regional round tables. The more opportunity that we have to put examiners and bankers together outside of the exam process to talk about the issues that are current in the current environment and, you know, frankly for some of the examiners to get to know the banker and what kind of people they are. Any of those kinds of regional round tables could be helpful. We should all being on the same page when we come to examine a bank with the same objective in mind which is the safety and soundness of our institution for our consumers. Thank you very much more listening.

>> DOREEN EBERLEY: Thank you. Any questions from the -- I would just say a couple of things. I really do appreciate that we got some very specific recommendations. So thank you very much for that. Kind of a consistent focus on communication and the importance of that during and between examinations. So something we can all work out. Any questions from the audience?

>> Good afternoon. My name is John Flanders I am with the New Hampshire community loan fund. I am the chief operating officer. I would like to thank the Federal Reserve Board for inviting community development and financial institutions to participate. We appreciate that but I also like to thank all the panelists for the very meaningful and thoughtful exchange that we are having here today. The New Hampshire community loan fund is 100 million CDFI serving the entire state of New Hampshire from our offices. I hope our comments today would be to encourage simplicity in a risk based approach to index some of the more burdensome compliance regulations. Since our founding in 1983 we have helped preserve over 7,000 units of affordable housing. And our primary area of activity is in manufactured housing. We helped the residents of manufactured housing communities preserve the affordability of those house by helping them purchase those parks when they come on the market. We work with many of the banks from New Hampshire that are in the room today. I would be remiss if I did in the thank them for their assistance. We over something we call welcome home mortgage loans to provide fair, fixed rate residential financing to help homeowners buy or repair individual manufactured homes in those parks or on their own land. And since the inception of that mortgage program about a decade ago we originated over 900 of those mortgages and it received awards for national innovation but for the sole reason that we originate residential mortgage loans, loans designed for low income and first time home buyers with an average transaction size between 30,000 and 40,000 dollars, we are obligated to maintain a BSA program with all the details and complexities and costs incurred. When the BSA mortgage rules were crafted by FinCEN I doubt they were intended to cover CDFIs. We were caught in that net of unintended consequences in the aftermath of trying to (inaudible) which led to the great recession. But for those mortgage fraud crimes like flipping and flopping and straw buyers and appraisal fraud that one could commit they really are far less likely to be committed through a CDFI given our close technical assistance and the intimate

relationship we develop with our borrowers working to educate them with home ownership and helping to save over many months the small amount of money needed tore for a down payment. So it is less likely that any of those crimes would be committed through a CDFI and even if they I am not going to say the risk is 0. We are so small and all of our transactions are so small but the amount of money laundering that could occur would be smaller if indeed it did go undetected. And since we are required to maintain all of the pillars of a BSA program regardless of your risk profile including the cost of annual audits I think the exam manual says 12 to 18 months we have to allocate resources to those requirements that could otherwise be devoted to assisting low income households and strengthening communities.

I think similar comments could be made about the safe act. While it is well intended it has an annual audit requirement and requires a significant amount of collection of personal financial information and personal information on our mortgage originators and in addition referring back to the BSA act, BSA officer has a lot of personal liability. Again working in a non-profit context.

Similarly there were some comment made about the expansion of HMDA reporting and while expanded reporting may assist community organizations in understanding the distribution of loans made in communities, if those requirements are reporting are expanded non-profit community development organizations would also have to take on the burden of compiling some of that data. So again it would be a balance of benefit versus burden, regulatory burden that we would bear as well.

So in conclusion, what I am really hoping to encourage is that when regulations are issued or even contemplated in the draft version it would be helpful if CDFI community could experience outreach from the regulatory agencies as well so that our business model could be considered and that our staffs could better understand the intent with the regulations and how those would be implemented in the real world within our business model. Thanks.

>> DOREEN EBERLEY: Thank you.

>> ARTHUR LINDO: Okay. I would like to thank the panelists for your excellent comments and thank you Doreen for moderating the panel such an effective manner. I think I had three pages of notes. I had a lot of take-aways. You and the other panelists gave me a lot to write there. Good thing it is an all recorded. With that said we have got P to the point of our program where we open the floor up to members of the audience who would like to provide

comments on either any of the topics that have been covered today or if in fact, it is not been something that has been covered today but it is part of our regulatory framework you are welcome to comment on that. I make a couple of an additional reminders. In your comments could you address regulations that of the OCC and FDIC and Board of Governors. If you could put them in any of 12 categories that would be helpful but not required. It helps us for classification. I should let you know that the comments that you are providing will be part of our summary to Congress when we issue our final report. And just keep it going. So if we start out with bill we will try to get these comments in as quickly as possible. So with that said I am going to open it up for comments. I think Bill you are at the head of the line. Hid yourself and your organization when you start.

>> My name is Bill Garber. I am with the Appraisal Institute. Appraisal was a topic today. And I have seen it addressed in previous outreach events as well. I expect it to continue to be discussed. I wanted to talk -- raise a couple of issues. One is we have members that work for in the service provider field and also within banks themselves. So about 10% of our members actually working within institutions. We see and hear a lot of things. One of the things that we hear a good deal about is and I think it is representative in some of the previous comments in outreach events is that there does appear to be quite a bit of misunderstanding. Appraisals there are appraisal rules under the interagency regulations but they are subject to 12 specific exemptions. The 250,000 dollar threshold is one of them. We see quite a bit of confusion around that particular exemption when an appraisal may or may not be required. When an evaluation would be sufficient. We see a great deal of confusion around the topics of renewals and refinancings and again when appraisals would be required and when an evaluation would be required. I think a greater need for understanding about these exemptions between the examiner community and the banking community. The banking community I think it would be very healthy to do that on appraisal side to get in and talk about these specific areas that people seem to be having a hard time with. And I think more often -- more cases more often than not what we see there are sufficient exemptions in place. There is quite a bit of flexibility within the existing regulations, particularly in rural bank settings and in small community bank settings. They need to be documented in the loan file. Just as some examples. There were some comments about appraisal profession as a whole. Just to correct one comment. The appraisal institute has conferred a record number of MAI designations within the last year. There was a

concern about the age of the profession. And it is -- and I think always has been a profession of say second choice. People come to it as a second career in many situations. So you are going to find it -- it is a mature profession but we have instituted a candidate program that has seen record numbers of participants. Some 45 people are working towards their MAI and we have seen a great deal of interest in that. I see a new wave of professional appraisers in the marketplace and I think that will address any of the concerns about supply. That said all of the evidence that we have seen indicates that appraisal fees have actually shrunk. There is quite a bit of fee compression in the residential space. So I have heard and seen comments about the cost of appraisals. Our members through surveys and research that indicate appraisal fees have gone down and if you look at cost of living adjustments the real wages of appraisals have gone down significantly. I would leave with one last note, I think it would be important to talk to chief appraisers that work within bank and talk and hear from them about their experiences. When we look at material loss reports from failed institutions, we find that appraisal processes were paid little guard. Look at some of the recent bank failures. Ranging from independence issues to competency issues. As a whole real estate lending is a risky activity. Appraisal is fundamental part of safety and soundness. Go back to mortgage lending 101. The three Cs, credit capacity and collateral. The appraisal processes helps people understand that. What we hear from our members is that many community banks, many regional banks, large banks they have been embracing the appraisal process. They have been bringing appraisers on staff and they have worked with third parties to develop robust collateral valuation policies. I know it is a cost center it is a hard thing to kind of prove out and pencil out. But the point is to make more better loans, not just more loans. And I think when we talked to our members they are seeing that a lot of banks are setting up operations with sound due diligence practices including appraisals, that's helping them make better loans. That's helping them make more money in the end. Because they are getting rid of some of the dog loans that are out there. It helps them make better loans in the long run. I would like to thank the Fed for the opportunity to comment.

>> ARTHUR LINDO: Thank you, Bill. Anyone else in the audience like to raise or make a comment?

>> Tom Wagons, CFO of the Bank of Maine. I promised the commentary folks who are not here I would say a few words about CDARs and ICS. If you are not familiar with that program it is a program where depositors of the bank come in and they are looking for increased

FDIC insurance. So they swap -- reciprocate with another bank to get the FDIC insurance if their deposits are over $250,000. According to current treatment of those deposits they are considered brokered deposit. In my mind, in my opinion they are local deposits where the bank sets the rates and then it is swapped with another bank. So it is really a local depositor. Right now those are treated in the call report as a reciprocal deposit and a broker deposit which has impact on FDIC insurance premiums as well as other PCA guidelines.

So the panel could take a look at that. That would be great. That's all I have. Thank you.

>> ARTHUR LINDO: Thank you. I think if there are no more comments then I have a couple of administrative matters and we will close out the meeting. Last call for any other comments. Very well. I will just turn to the comptroller. Would you like to make any remarks?

>> No thanks.

>> Just thank everyone for their comments and thank the federal agencies for putting this all together.

>> ARTHUR LINDO: I would like to say thank you on behalf of all the agencies and I would like to say a special thank you to the Federal Reserve Bank of Boston for hosting this program. There are three other meetings of this nature that have been scheduled. We have an August 4th meeting in the Kansas City Bank district and that's targeted for what we define as rural issues, rural entity issues and I would expect that you would see a notice to that effect on the gripper website shortly. We also have a meeting scheduled in Chicago on October the 19th and then one more in Washington D.C. on December 2nd. So there will be a few additional notices identifying the regulations that are covered by EGRRPA. I would solicit your assistance in getting written comments back from those and without further ado those are the administrative things that I would like to cover and thank you for your participation today. At this point we are officially adjourned.

>> Thanks.

(Applause.)

(Session concluded at 2:44 p.m. CST)

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