First EGRPRA Public Outreach Meeting Transcript
September 25, 2024

Virtual Host
On behalf of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation, welcome to the first outreach meeting held to accept public comments relating to the agency's regulatory review conducted in accordance with the Economic Growth and Regulatory Paperwork Reduction Act of 1996, or EGRPRA. This meeting is being recorded. For this meeting, audio connections are muted and the chat function is disabled for the audience listening to the content.

Individual commenters who registered with the agencies in advance were notified and will be unmuted so they may begin their comments when recognized. We ask that all commenters turn on their cameras when they are recognized. If you need technical assistance during the event, please call 301-250-7202.

I will now turn over this meeting to Acting Comptroller Hsu to provide remarks to open today's meeting. Please go ahead when you're ready.

Acting Comptroller of the Currency Michael Hsu
Thank you so much and good afternoon and thanks to everyone for joining us today. Welcome to the first of six outreach meetings that the Federal Banking Agencies will hold as part of the EGRPRA review. EGRPRA requires that, not less than once every 10 years, the OCC, the Federal Reserve, and the FDIC conduct a review of their regulations to identify outdated or otherwise unnecessary regulatory requirements imposed on insured depository institutions.

The EGRPRA review process and the feedback we receive are invaluable. From the previous two reviews, the agencies received significant feedback and made meaningful changes to reduce regulatory burden, especially on community banks, while at the same time ensuring that the financial system continues to remain safe, sound, and fair. Highlights of interagency changes resulting from the last EGRPRA review include reducing regulatory reporting requirements with the introduction of a community bank call report, simplifying the call report, reducing the full scope on-site examination frequency for certain qualifying institutions, and reducing the frequency of Bank Secrecy Act reviews for certain qualifying institutions.

At the OCC, we amended our regulations in 2017 with respect to licensing transactions, electronic activities, electronic submission of securities-related filings, and collective investment funds, and modified our exam process in response to comments received from stakeholders at EGRPRA and other outreach meetings, specifically by tailoring our exam request letters to remove redundant or unnecessary information requests, improving the planning of on-site and off-site exam work, incorporating examination process efficiencies in individual bank supervisory strategies, and leveraging technology to make the exam process more efficient and less burdensome. For this meeting, we will focus on regulations relating to applications submitted to regulators and reporting by banks; bank powers and activities;

international operations; consumer protection; directors, officers, employees; and money laundering.

We look forward to hearing your comments on the other categories of regulations in later outreach meetings. For this meeting, we asked interested stakeholders to register to speak on one or more of these categories of regulations. I'm pleased that we received substantial interest from a variety of stakeholders, including community groups, mid-sized and community banks, and trade associations, and we give special thanks to those who registered to speak.

We also encourage you to submit written comments. This afternoon, we will divide our meeting into three segments. Each segment will be moderated by one or more senior officers at one of the banking agencies.

It will feature comments from individuals who registered to speak in advance. Each registered stakeholder will have five minutes to speak. On behalf of the OCC, we have Senior Deputy Comptroller for Bank Supervision and Community Affairs, Grevetta Gardineer, and Senior Deputy Comptroller for Mid-sized and Community Bank Supervision, Beverly Cole.

From the Federal Reserve Board, we have Art Lindo, Deputy Director for Policy in the Division of Supervision and Regulation. And from the FDIC, we have Lisa Arquette, Deputy Director, Operational Risk, and Luke Brown, Associate Director, Supervision Policy Division, of Depository Consumer Protection. Thank you again to everyone participating in this important effort.

We look forward to hearing your comments today and throughout the EGRPRA review. Thanks.

Virtual Host
Thank you, Acting Comptroller Hsu. I will now proceed to the first panel. I recognize Luke Brown, Associate Director for Supervision Policy at the FDIC, to moderate this panel.

Luke Brown
Thank you. Good afternoon or good morning, depending on where you are. Let's begin the first panel.

Each commenter will have five minutes to comment, as indicated by the timer in the upper right-hand portion of the screen. Each commenter must unmute microphones after being called upon to speak. So with that, we will begin with the first presenter.

Virtual Host
All right. One moment as I get them sorted. All right.

That would be Joshua Smith. You'll be the first person to speak. Please, each commenter will have those five minutes to comment, so please be sure to keep that in mind.

Joshua Smith
Great. Thank you. Can you hear me okay?

Virtual Host
Yes, we can.

Joshua Smith
Great. Good afternoon.

I'm Joshua Smith, Vice President and Assistant General Counsel at the Bank Policy Institute. We represent universal, regional, and major foreign banks in the U.S. Thank you for hosting this public outreach meeting. Beyond the specific regulations under EGRPRA review, we want to urge the Federal Banking Agencies to consider the significant overall compliance burden on banking organizations that only continues to grow.

Compliance demands now consume nearly half of board and C-suite time, and the trend is worsening. A 2023 BPI survey shows that BPI member banks' management spends 42 percent of its time on compliance, including examiner mandates and recommendations, while boards spend 44 percent, a 75 and 63 percent increase since 2016. Bank compliance staff has also grown by 62 percent in that period.

Our letters emphasize that the agencies demand too much time and resources for immaterial issues. Rather than prioritize, the agencies keep multiplying compliance demands. Supervisory teams impose interpretations of rules that may not align with the original intent, leading to unnecessary documentation that does little to enhance bank safety.

These demands waste valuable time better spent addressing real financial risks. Banks also face conflicting and overlapping regulations from various jurisdictions and agencies. The Federal Banking Agencies should consider the overall compliance burden, including the supervisory burden, as part of this EGRPRA review.

I also want to provide selections of our more targeted suggestions that we make in our prior and forthcoming comments. As an initial observation, it's impossible to fully address consumer protection and money laundering categories without including the CFPB and FinCEN. They, like the NCUA, should voluntarily participate in EGRPRA.

Now, on to the specific categories of regulations under review. First, for applications and reporting, the expedited review process currently offers limited benefits. Institutions in good financial standing should receive streamlined reviews for internal reorganizations.

The agencies should place limits on how often updated information can be requested to avoid delay. The agencies should eliminate filing requirements for non-controlling equity investments and permissible activities, aligning them with parent bank regulations. Institutions negotiating combination transactions should be permitted to share confidential supervisory information with counterparties under confidentiality agreements or through the agencies' s establishing an effective process to obtain permission.

The agencies should allow alternative forms of public notice, such as using a bank's website or social media. Uniform definitions across regulations, such as for terms like "financial institution," are necessary. Reporting demands can also be simplified without compromising

financial health monitoring, and crypto assets held in custody should be excluded from the Schedule RCT call reports liabilities listing.

Second, for the powers and activities category, the OCC should amend its national bank electronic activities regulations to let banks offer correspondent services to any third party, not only affiliates and financial institutions, and clarify that processing and transmitting any data is permissible if incidental to bank activities. More examples of permissible digital activities, such as using distributed ledger technology, should be provided. Materiality standards should apply to audit reports or board presentations under agency guidance.

Third, for consumer protection, the FDIC should continue to develop compliance materials, such as FAQs, for its final signs and advertising rule. Extending the compliance deadline to January 1, 2026, will allow banks time to comply. Several regulatory proposals may harm low- and moderate-income communities. For instance, the Federal Reserve's potential lowering of the interchange fee cap, despite findings that it reduced free deposit account products, could have unintended consequences, as could rules like the CFPB overdraft and credit card late fees rules.

Fourth, in the category of directors and officers, Regulation O should allow exemptions for principal shareholders uninvolved in bank operations, in line with the policy rationale of S.R. Letter 1916. The agency should offer a 90-day grace period for shareholders crossing the 10% ownership threshold without triggering the Change in Bank Control Act. The agency should exempt qualified custodial overdrafts and ordinary arm's-length secondary market transactions from Regulation O.

Dollar thresholds in Regulation O should be inflation-adjusted and reviewed every five years. Finally, for the money laundering category, a risk-based approach to customer identification program collection is needed, including permission for banks to rely on third parties for identity verification. Banks should also be allowed to stop filing suspicious activity reports on low-risk transactions that offer minimal investigative value.

A single structuring instance should not automatically trigger a S.R. Finally, FinCEN should receive basic cash transaction data.

Virtual Host
You are out of time. We need to move on to the next commenter. All right.

We are going to go to the next commenter, Ken Hale. Give me one moment to reset the timer, and we will begin again.

Luke Brown
Sorry about that, Joshua.

Ken Hale
Okay. Good morning. My name is Ken Hale.

I'm the President and CEO of BOM Bank in Natchitoches, Louisiana. I'm the fifth generation of my family here at BOM Bank. The bank was founded in 1903.

We're a CDFI bank with 15 of our 19 locations are persistent poverty counties. So, I just wanted to get that out there first. We're regulated by the FDIC.

So, good morning, Mr. Brown. I want to thank you all for allowing me the time to speak this morning. I'm going to make some comments on behalf of myself as a banker and for the ICBA, Independent Community Bankers of America.

The EGRPRA process requires the agencies to review regulations every 10 years and identify any outdated or unnecessary regulatory requirements for supervised institutions. This is the third such meeting of EGRPRA. The first was in 2006 and 2016.

The reviews in 2006 and 2016 provided basically no regulatory relief for community banks whatsoever. Consolidation within the industry, acquisitions of community banks by credit unions, which is probably one of the most unfair things I've ever seen in my banking career, small number, basically no de novo banks being allowed to form, really has caused long-term damage to the community banking industry. Damage to the community banking industry damages the LMI communities, rural America, and the fabric for what we all stand for.

As I stated earlier, I'm the fifth generation of my family to be here at BOM Bank. We take so much pride in what we do here. I could go on, anybody that knows me knows I'm the biggest champion for community banking there is in the world.

We have great relationships with our regulators. We believe in giving back. If I were a conspiracy theorist, I would think that the federal government is trying to make us Europe and where there's only a handful of banks, considering that over 20 or 30 years ago, there were approximately 20,000 banks in America.

Now, there's barely 4,000. It seems daily the government is allowing credit unions to buy banks at a clip that is very scary. It's basically impossible for us as community banks to buy credit unions, but the other way around.

Regulation is so burdensome that it almost makes it impossible for us to do our jobs on a daily basis. ICBA would recommend, I would personally recommend, and I'll be more than glad to talk to anybody. I can talk until I can't talk anymore.

But regulation is becoming so burdensome that it's really hard to really understand unless you're on this side of the fence and see it every day. As I said, the regulation that is put in a place that I think the government feels to help the average person actually hurts low- and moderate-income and the minority communities. Those are communities that we fight each and every day to help.

Our bank, we operate in five communities of less than 1,000 people. We operate in three communities of less than 500 people. So as you can see, we don't make money in those locations.

We have those locations as services. We are a proud CDFI bank. We were ESIP recipients.

To be a CDFI bank, we have to lend in our communities. We have to lend to low- and moderate-income people. We actually prove that on a daily basis with what we do.

I could talk a long time about a lot of things about the EGRPRA process. I wish I had more confidence. And no offense to anyone, I wish I had more confidence that what I say today is going to make a difference.

But as a community banker for 30 years, I just don't feel like it does. That's very sad and very disappointing. I hope that we can get some feedback, some good positive feedback from the regulators and make this banking industry what it needs to be for the community.

Thank you for your time.

Virtual Host
Thank you for your comments. We're going to go to the next commenter. That's going to be Deb Bartolero.

Give me one moment to get you up and running.

Luke Brown
Mr. Hale, thank you for your testimony. We appreciate it.

Ken Hale
Thank you, Mr. Brown. I very much appreciate your time. I would love to have more feedback and more comment to talk with someone.

Thank you very much.

Luke Brown
Sure.

Virtual Host
All right, Deb Bartolero, the time starts now. You're muted. I will give you a moment to unmute and then we'll restart the timer.

Deb Bartolero
Okay. All right. Good afternoon.

My name is Debbie Bartolero. I'm the Chief Operating Officer for First Citizens State Bank in Whitewater. We're a four-branch, $450 million community bank in a small college town in southeastern Wisconsin.

We pride ourselves on our community service and supporting our small businesses, our farmers, and our consumer customers. We have 69 FTEs or full-time equivalents to serve our customers and comply with our regulatory burdens. Regulatory compliance coupled with technology costs are crushing us.

BSA is the poster child for outdated, unnecessary, and unduly burdensome regulation. The CTR threshold is outdated. It hasn't been updated since 1970, and the SAR threshold hasn't been updated since 1992.

We have three of our 69 full-time equivalents focusing on BSA and the paperwork associated with those duties. And this doesn't include the time that the tellers, the new accounts personnel, spend collecting information from the customers at the time of the transaction. FinCEN is collecting beneficial ownership information, making our collection of the same data unnecessary.

The time this task takes our personnel is not included in those three FTEs currently managing our other BSA requirements. It falls on new accounts and lending personnel. Because of our size, purchasing software to assist in the filing of record-keeping requirements for BSA isn't feasible, so our CTRs and our SARs are filed manually.

The burden of completing these documents exactly as required to avoid examiner criticism takes time that could be used for activities that would benefit our customers. SARs filed for $5,000 incidents, which are reported to be highly useful to law enforcement, are never acted on. Those same incidents, when reported directly to law enforcement, are met with, the loss is below our threshold, or there isn't much we can do.

I recently had a 74-year-old widow send her life savings, over $230,000, to a scammer. That wasn't large enough for the feds to work, and local law enforcement said, you guessed it, it’s, there's not much they can do about it. Providing more education to our elderly customers on frauds and scams, training our staff on the warning signs, and actively searching for early warning signs of fraud, would be time much better spent instead of completing useless forms.

Educating our business customers on business email compromises, the importance of monitoring their accounts daily, how to detect mail theft, and how to educate their employees on spotting phishing or social engineering scams, would also be better time spent, rather than gathering redundant information on beneficial ownership. We need to be so focused on the minutiae to satisfy our regulatory requirements that we can't help stop the bleeding. Fraud is rampant in the banks, and many of the schemes exceed the current outdated thresholds, so we file more SARs.

We see deposits that we know aren't normal for our customers, but Reg. CC won't allow us to hold them if they're cashier's checks. The fraudsters know Reg. CC, and they take advantage of it. I was criticized by an examiner because we held several cashier's checks that were ultimately returned as counterfeits, so we were right, but they were cashier's checks, so we shouldn't have delayed the availability or the access to our customers of those funds. Section 1071 of Dodd-Frank requiring the collection of personal data on our business owners is overly burdensome. This requirement will not fulfill the goal of expanding access to credit to underserved communities. The cost to comply will cause an increase in fees and loan rates, which will ultimately harm or potentially disqualify some of those borrowers. Section 1033 of Dodd-Frank establishing consumers' right to allow access to share transaction account information with others is an overreach. This technology is expensive. The cybersecurity risk mitigations are expensive. At a minimum, it should be our choice to offer, not mandated by regulation.

As mentioned earlier, the CTR threshold of $10,000 was set in 1970. It should be increased to $30,000 and should continue to be re-evaluated. The current SAR threshold remains

unchanged since 1992 and should be increased from $5,000 to $10,000 for known suspects and $25,000 to $50,000 for unknown suspects.

The unnecessary...

Virtual Host
That is all the time you have for your comments. Thank you so much. We're going to stop the timer and prepare for the next commenter.

That will be Mike Gargaro. One moment while I... Please start your video.

All right. Go ahead and unmute and I'll start the timer.

Mike Gargaro
All right. Good afternoon. My name is Mike Gargaro.

I'm the Chief Financial Information Operating Officer of $330 million Citizens First Bank with six offices in western and southwestern Wisconsin. I mention my three titles because I'm an employee of a small community bank like most other community bankers providing feedback on this call. We're in written comments.

We're all responsible for multiple tasks and duties outside of a single role. Another example about staff here is that we have frontline staff who not only serve customers, but they manage our accounts payable function and order supplies. And I can mention many other similar examples at our bank.

Many banks take this approach of efficiency to keep our products and services affordable to our customers and the communities we serve. Both of these relevant examples are being shared to assist in the understanding of what our regular duties performed as community bankers are today before new additional regulations are added. As new regulations or reporting requirements are implemented, we need to communicate, train, verify, report, audit on these new regulations.

Realizing that our staff still needs to train and understand the actual job duties beyond regulations as well as to conduct positive customer interactions or transactions, I began to research the cost of compliance with all the regulations and reporting, but it took too long to determine and needed to stop. And when Dodd-Frank was passed in 2010, it caused my current employer to hire two additional compliance-related positions to comply with these new requirements.

Dodd-Frank also reduced the interchange income we received through the Durbin Amendment. This is in direct correlation with Regulation E, and at the end of the day, community banks like ours take the risk of issuing credit debit cards and use that interchange to offset our mass card reissuance from a merchant's data breach and fraud losses. We hear of merchants having data breaches who ends up being on the hook for reissuing cards, fueling customer calls, and taking the loss while it's a community bank.

If merchants were somehow liable for those losses, maybe they would spend a little more time protecting the data they have. I've been preparing call reports since the mid-1990s, and the changes that occurred with addition to the Form 51 did not have any real time

savings or less reporting, as the majority of items that change had to do with items you're already not reporting in the first place. The average amount of time we spend on a quarterly call report here is somewhere between 20 and 25 hours, which involves updating software, gathering the report's data, completing submitting the report, and then gathering a wet signature, which seems like that could go away with an approval via board motion.

Quarterly call reports obviously happen four times a year. It averages, you know, 80 to 100 hours, which is the equivalent of two to two and a half weeks annually, just in reporting that we don't typically use. With about 4,000 banks on the FDIC website, that means there's 80 to 100,000 hours spent annually across the country completing the call report.

The questions arise as to what is trying to be learned from what's filed. There are obvious failures in 2023 with Silicon Valley Signature Bank, you know, SVB had other regulatory issues. But if this call data is being reviewed and data is relevant, would that not have started some additional follow-up?

They're not adhering to what was being asked of them. It's being used to compare to peers. There's multiple variances that all community banks use as profit motives.

Some have investment centers, title companies, insurance agencies, but they turn around and sell other loans as SBRFSA guarantees. There's also inconsistency in line items, especially when it comes to reporting on loans. Schedule RIB, the charge off recovery, RCC for loans and leases, and RCN, which is passed to a non-accrual.

Not necessarily certain why the RCC, which you have to have a loan to be able to show up on the other two schedules, has a six for consumer loans. But when you go to the RIB and the RIN, they change, or the RCN, they change to a five. Similar with RCC, lines three, eight, and nine are combined under the RIB and line seven, which it's nice that we get to combine it, then you turn around and ask for memorandum items below from line seven, especially when it relates to agricultural loans.

Similarly, RC line 10 is renumbered to line eight on the RIB and RCN. These inconsistencies just create more work to make sure that we're properly reporting our loan portfolio on three separate schedules. In our most recent exam, we are now having to report our 500 shares of Farmer MAC stock valued at fair value instead of cost.

This line item is $37,000 on our $339 bank, which is the equivalent of one-tenth of one percent. So now I have the pleasure of repricing this each quarter, adjusting through earnings in an immaterial amount. Not sure what this is going to tell anybody on the call report, but acquire or understand our value.

In the last 15 years, we've had the following regulations, additional earnings pushing down, CFPB 10781 is going to kill small business, by the way. Making small business loans are our bread and butter. Collecting non-financial data doesn't add any value to the relationship.

Dodd-Frank, Basel III, the capital rules, beneficial ownership under BSA, Community Reinvestment Act, to name a few. My time is up. So thank you for the opportunity to speak today and look forward to positive outcomes for community banks from this process.

Thank you very much.

Virtual Host
Thank you for your comments. The next commenter that we had on the schedule, you have Abu Hassan is not with us at the moment, so we're going to go into the commenter after that. Anita Drentlaw, go ahead and turn your camera on.

And your timer starts now.

Anita Drentlaw
Great. Thank you so much. I'm Anita Drentlaw.

I am the CEO, president, and CFO of New Market Bank. We are $195 million in assets and located in the cities of Elko, New Market, Lakeville, and Pryor Lake, which is in the south metro of the Minneapolis-St. Paul metropolitan area. We are 119 years old, started in 1905.

I am proud to be the fourth generation in our family bank. And our primary areas of focus are small business, commercial lending, and secondary market mortgage lending. I appreciate the opportunity to speak.

I believe the importance of the EGRPRA review really allows community banks just to share their thoughts on the burdens of regulations we comply with. Hopefully by sharing our experiences it assists you in the elimination or enhancement of rules to give us some relief on outdated, unnecessary, or overly burdensome regulations. I recognize that regulation is often dictated by statute. I encourage where it is possible to interpret or apply the regulation in a different way that minimizes burden to community banks.

It is very appreciated because that passes down less burden to our customers. The first area I'd like to talk about is call report simplification. I realized Comptroller Hsu mentioned in 2019, a short form FFIEC-051 was created for smaller community banks.

Although there was a reduction of 37% in fields, unfortunately, many of those were not ones that were completed by us anyways. It currently takes our team, three members of our team, almost 35 hours each quarter to complete the call report, which equates to about $2,000 per quarter for us to complete it. My request would be to think about allowing highly rated and well-capitalized banks to file a much reduced short form on quarters one and three of the year, which would include an income statement, balance sheet, and statement of changes in equity, and then for the second and fourth quarter, go to a streamlined version of the current FFIEC-051 form that is now completed.

I'd also like to mention the burden of BSA. First area of BSA is beneficial ownership. A fairly recently passed Corporate Transparency Act required businesses to start filing their beneficial ownership directly with FinCEN starting this year.

Unfortunately, there has not been an alleviation of the requirement for us to collect that same information. We are still required to collect and verify identities on all signers for the CIP rules, but with the beneficial ownership rules, we also have to collect and verify owners who are not signers, which becomes significantly hard to do. We're also required to recertify each time a business establishes a new account or product.

For example, if we have a loan customer that comes in and takes out a loan but opens a deposit account a week later, we have to verify that their beneficial ownership information has not changed. Our customers don't understand why we need to do this now that they're having to file that information directly with FinCEN, and especially don't understand why we need to recertify every time a new product is purchased. It's burdensome to our team, it's burdensome to our customers, and we spend probably at least two hours a week monitoring this to make sure that we collect and verify all the information required.

So I would request that the need for banks to collect and verify beneficial ownership be eliminated.

The second area of BSA is currency transaction reporting. As mentioned before, it was set almost 55 years ago in 1970 at a $10,000 threshold.

In the last 12 months, our small community bank filed 189 CTRs, 182 of which were under $30,000. 95 of those 182 CTRs were for tax-exempt charitable organizations that offer charitable gambling, which can't be exempted. Another 40 of those 182 are businesses that don't have enough instances to be exempted during the year.

The threshold definitely has not kept up with inflation, and just by those numbers shows that there's an overfiling. So I'd request to increase the threshold to $30,000 and possibly allow charitable gambling tax-exempt organizations to also be exempted. And I'm not going to get to my last couple points because I only have 17 seconds left.

That goes fast, but I want to thank you again for allowing me to take my - the - opportunity to share my thoughts, concerns, and recommendations with you.

Luke Brown
Thank you. We appreciate your testimony very much.

Virtual Host
All right, we will go to our next commenter. That'll be Jennifer Johnson. All right, go ahead, unmute, and your timer starts now.

Jennifer Johnson
Morning. Thank you for the opportunity to comment on the review of regulatory burden. My name is Jennifer Johnson.

I am the Chief Risk and Operations Officer for Forte Bank. We are located in Hartford, Wisconsin. I'd like to speak specifically about two areas under review, consumer protection and money laundering.

But before I get into each of those sections in detail, I'd like to share how important it is that the magnitude of regulation be reviewed for ways to streamline requirements and reduce the burden on community banks. The bank I work for has been serving communities of less than 20,000 people for over 115 years. We're unique in that we are not family owned or publicly traded.

Instead, we are owned by over 300 members of the communities we serve. We're not large. We're approximately $360 million in assets.

But throughout the years, we have been instrumental in helping thousands of people buy their homes, finance their businesses and support their financial growth and success. The ability of a small institution like ours to continue to serve the people we live and work with is threatened by the exponentially increasing costs associated with compliance. In the nine years I've worked at this institution, our annual cost of compliance has increased over 122% to more than $200,000 annually.

By 2026, I estimate that our annual costs for compliance will increase to over $300,000. These rapidly increasing costs will have a significant impact on our ability to provide our customers with the products and services they need. One example of this is in the area of consumer protection, particularly Regulation CC.

Regulation CC has a good intention, making sure customers have access to the funds they deposit. However, it is unduly complex and has not evolved to address the challenges banks currently face related to fraud and money laundering concerns. The original reason for Reg CC in 1987 is outdated in light of the funds transfer options customers have today.

The regulation has not evolved with current payment systems and still remains complex and confusing. Frontline staff and customers both are confused and frustrated by the timing requirements and the tiered groups of funds that are required by the regulation. In addition, the limitation on hold times doesn't make sense in light of how frequently banks receive counterfeit versions of cashier's checks or even government checks.

It feels like the restrictions placed by Regulation CC exist in direct contrast to the expectation that banks protect their customers from fraud, as well as comply with the requirements of the Bank Secrecy Act. A bank may have legitimate concerns about funds it has received, but Reg CC ties our hands on our ability to hold those funds and protect our customers. Which brings me to the next topic I'd like to discuss, money laundering.

As a small community bank, we absolutely want to do everything possible to limit potential money laundering and prevent the financing of terrorism. But it feels like the burden to monitor and identify illicit financial activity is becoming greater and greater while rules and regulations are not being updated in light of the evolution of the financial industry. The threshold for currency transaction reporting as has been stated multiple times has not been updated from $10,000 in over 50 years.

This requirement is outdated both due to the dollar threshold for reporting and also the changes that have occurred in the payments industry. It doesn't make sense for our staff to spend so much time tracking and reporting low dollar cash transactions when money launderers and financial criminals are moving much larger sums through checks, ACH, instant payments, wire transfers, and digital currency. Currency transaction reporting rules are not just burdensome to our staff.

They are also burdensome to customers who have a legitimate business purpose for conducting currency transactions above the threshold, but don't qualify for designation as an exempt person. Interagency guidance says we should treat customers on a risk-based

approach and that, quote, no customer type presents a single level of uniform risk or a particular risk profile related to money laundering, terrorist financing, or other illicit financial activity, unquote. However, currency transaction reporting regulation states that specific businesses engaged in lawful activities are not eligible for a filing exemption strictly due to the type of activities they're involved in.

This is a mixed message. If it's truly the opinion of agencies that, quote, the potential risk to a bank depends on numerous factors, including facts and circumstances specific to the customer relationship, unquote, then the CTR exemption standard should be updated to match that. Banks should be allowed to exempt customers from CTR requirements when their risk assessment supports that decision.

The amount of time we spend in the weeds of AML, CFT regulation, and other consumer protection regulation can make it very difficult for banks to stay focused on the actual goal of protecting our customers. We spend hours and hours making sure every detail of our reporting requirements is accurate. Meanwhile, our customers are continually bombarded with fraud and scams that we may not be able to catch in time.

I encourage the regulators to consider lessening the burden of reporting to allow community banks to spend more time helping and protecting our customers. Thank you for the opportunity to share my thoughts.

Virtual Host
Thank you for your comments. The last commenter that we had on the docket, Alison Bauer, is not with us at the moment today, so we are going to go to break. Thank you to all of our commenters.

Luke Brown
Yeah, thank you, everybody.

Virtual Host
Welcome back to the EGRIPRA public outreach meeting. We will now proceed to the second panel moderated by the Federal Reserve Board. I'd like to remind all members of the audience on the line that audio connections are muted and the chat function is disabled for this meeting.

Individual commenters who've registered with agencies in advance were notified and will be unmuted so that they may begin their presentation when recognized. We ask that all commenters turn on their cameras when they are recognized. I recognize Art Lindo, Deputy Director for the Division of Supervision and Regulation at the FRB to moderate this panel.

Art Lindo
Thank you. We'll get started with our next panel, which will proceed like the others. Each commenter will have five minutes to comment.

As indicated by the timer in the upper right-hand portion of the screen, each commenter must unmute their microphone after being called upon to speak. We'll start with our first commenter, Mr. Jacobson.

Virtual Host
All right, give me one moment to make sure that Mr. Jacobson is connected. There we are.

Jeff Jacobson
Good afternoon or good morning. I appreciate the opportunity to respond to the agencies regarding the EGRPRA process. My name is Jeff Jacobson, and I'm the Compliance and CRA Officer for New Market Bank.

Thank you, Anita Drentloff, for providing background about New Market Bank during your comments during the first panel. As a second-generation community banker, I have over 25 years of experience as a compliance officer with a strong focus on mortgage lending and servicing-related regulations. While I understand the CFPB is not part of the EGRPRA process, they are primarily responsible for implementing the Dodd-Frank Reform Act and other regulations that have a major and disproportionate impact on community banks.

The agencies participating in the EGRPRA process are responsible for enforcing financial institutions to conform with the Dodd-Frank Act and other CFPB-implemented regulations. New Market Bank estimates that we have more than quadrupled our regulatory compliance annual costs since the implementation of the Dodd-Frank Act. Approximately four of our 35 FTEs, or a little over 11 percent of our team members, are dedicated to compliance in BSA roles and oversight.

This does not include the cost for external audits, which can be in excess of $40,000 annually. The CFPB has chosen to nearly double the number of reportable fields in excess of what Regulation C requires for HMDA reporting. At the same time, the financial institutions are held to almost zero tolerance for exceptions while HMDA reporting.

The CFPB repeated this trend of doubling the reportable fields compared to what was required under 1071. At the heart of the EGRPRA process, we are tasked in identifying outdated and otherwise unnecessarily regulatory requirements. The following are a few examples of what the agencies should address.

Specifically talking about loans in identified flood hazard areas, the notice of special flood hazards and availability of federal disaster relief assistance is a requirement whenever a financial institution makes increases, renews, or extends a loan. This is also referred to as a MIRE event. The delivery of the notice of a special flood hazard must be taken place within a reasonable time before the completion of the transaction.

What constitutes reasonable time notice will necessarily vary according to the circumstances of a particular transaction. Unfortunately, the agencies did not define what is a reasonable amount of time, but instead have provided guidance that 10 days is a reasonable amount of time. While the guidance includes notice will necessarily vary according to the circumstances of a particular transaction, I continually hear from compliance peers that field examiners at the direction of their field office or DC that 10 days is a hard and fast requirement.

And even if the financial institution has documented reasonable information for delivery less than 10 days before closing, it is unacceptable. In addition, the requirements to provide a borrower notice after a loan has recently been made and the consumer has already been

notified, a financial institution is required to again provide disclosure about flood hazard insurance when a loan is increased, renewed, or extended. If additional flood insurance isn't required at the time a loan is increased, renewed, or extended, what is the benefit to the consumer for requiring the bank to re-disclose the requirement of flood insurance?

For smaller community banks that may have a manual process for identifying loans that require flood insurance, ensuring the notices are provided again at that second event can be cumbersome. Considering that small banks may have a very low number of loans that require flood insurance, having one or two exceptions may constitute a pattern or practice in the eyes of an examiner that is then required to assess civil monetary penalties up to $2,000 per violation. I'd encourage the agencies to exercise other appropriate measures other than mandatory CMPs for first-time findings of smaller community banks regarding flood topics.

I have more things that I'd like to share, but unfortunately I'm out of time. I thank the agencies for this opportunity.

Art Lindo
Thank you, Mr. Jacobson. Okay, we'll go to our next commenter.

Virtual Host
All right, Carol Van Cleef. I tried to promote you to panelists. Thank you.

She'll be on momentarily, and we'll be able to take her comment.

Carol Van Cleef
Thank you, and I think I appreciate being promoted to a speaker, and I appreciate the opportunity to speak today in connection with this review for the purpose, as it's been said, of identifying those regulations that are outdated, unnecessary, or unduly burdensome for insured depository institutions. I've been a practicing attorney for almost 40 years, and I'm the CEO of Luminous Group, a consulting firm specialized in developing regulatory compliance strategies and programs for depository institutions, fintechs, and fintech-related firms offering financial services, including those related to digital and virtual assets. I've spent almost 25 years working with emerging and alternative payment systems, covering everything from the earliest days of in-person bill payment companies to a wide variety of mobile banking and payments alternatives to digital currencies and a wide range of other types of crypto assets.

With few exceptions, the business models have had a point of intersection with the depository institutions, so as a banking regulatory lawyer by background, I've never departed too far from my roots. The journey repeatedly underscored the ever-changing nature of what we call fintech and the old ways of making payments, exchanging value, and generally banking really underscored how they were not only ripe for disruption, but were being disrupted on a real-time basis. Putting one's head in the sand and denying this change over the last 25 years has not made it go away in any way.

As many did with crypto for years, not realizing the importance of these developments was much more about the new technology than really even the asset classes that tend to dominate our conversation. So today I'd like to focus my comments on the fourth item,

which you invited comments regarding, and specifically the degree to which the technology, the economic conditions, or other factors have changed in the area affected by the rule. Simply, the regulatory responses, regulation and the regulatory responses need to adjust to the world we live in.

This is not something for a 10-year horizon, but it's much more immediate. We have a multitude of new technologies, not the least of which are blockchain-based, DLT, and AI. They offer both challenges, but also solutions that are ever-evolving as fast or faster than I'm talking right now.

There are a multitude of issues, but one that I'd like to note is that non-banking organizations rely upon the compliance efforts of others, and in particular banks. Yet I have to point out again and again to these organizations that this is a little bit dangerous, because as we've seen from repeated enforcement actions just this year that have featured AML, that we're dealing with an area that the banks may not be as compliant as the assumptions are being made of those who are relying upon them. I'd also, in this regard, like to share a recent experience at the opening dinner of the Cambridge International Symposium on Economic Crimes three weeks ago.

One of the founders of the symposium, going back 40-plus years now, asked the august group of regulators, policymakers, prosecutors, judges, and members of the law enforcement intelligence community convening for the 41st annual symposium the question of how much has changed in the battle against economic crime over the last 40 years. The daily headlines, I think, make all of us feel we're losing more ground daily, if not hourly, than we're gaining. As someone who's attended the symposium for a number of years, I can definitely share with you the fact that I have been sort of a leader in introducing concepts of prepaid cards in 2008, digital currencies in 2011, and when I surfaced the word Bitcoin in either 2011 or 2012, and I didn't even raise the question of cryptocurrency, there was a bit of curiosity, but again, most of it was just simply going to go away. Fast forwarding, there was a session at this year's symposium, again, the 41st, that did not discuss cryptocurrencies and AI, and without breaching the Chatham House rules of conference, I can say that I find it interesting that many governments around the world have integrated dynamic interdisciplinary teams to address the changing landscape of financial crimes, all driven by integration of cryptocurrencies and this introduction of AI into the mix. I could share with you some other experiences that have driven home to me the shortcomings in our current system. What I'd like to leave with you today is the fact that I think that the proposal on the money laundering or the final money laundering rule to provide exemptions is really lacking in any kind of time clock.

I appreciate the deliberate nature of the regulatory process, but I think it's important.

Virtual Host
And that's all the time we have for your comments. Thank you so much. Thank you.

Art Lindo
Thank you, Ms. Stein, please. We'll go to our next commenter, Mr. Roque.

Virtual Host

Mr. Roque has not joined us at the moment, so we'll go to the next commenter on the list. That would be Ms. Corley. Jen Corley, you should have been promoted to panelist.

Let me try again. There will be a pop-up asking if you want to be promoted to panelist. Please accept it.

Okay, Jenna Corley has declined to be promoted to panelist. I'll just go ahead and unmute her line.

Ms. Corley.

Jenna Corley, please click on the pop-up to be unmuted. All right, Jenna Corley has left the call, so we'll go to the next commenter, Brad Bolton.

Brad Bolton
Well, good afternoon. My name is Brad Bolton. I'm a second-generation community banker, and I serve as president and CEO of Community Spirit Bank.

And we're located in Red Bay, Alabama, and it's where my 116-year-old $200 million community bank serves four rural counties in northeast Mississippi and northwest Alabama. And I appreciate the opportunity to provide some comments on the need for some real and substantive regulatory relief for community banks such as my own. See, our employees and management team have a focus on making sure that we can meet the needs of our customers and communities each and every day.

And we do it in spite of over-regulation of our industry, especially since the creation of the Consumer Financial Protection Bureau. Now, the CFPB truly shouldn't be involved in the affairs of a small community bank like mine, but they're here every day through their rules and regulations. And regulations are killing the community bank franchise.

And this Agrippa review should be more than just a check-the-box exercise. It should really find ways to simplify the regulatory framework, especially for a well-rated community bank such as mine. Now, regulations should be tiered based on the complexity and size of the institution, but that's not always done.

See, there's been some 5,000 to 7,000 pages of new regulations issued on our industry in the last year alone. That's just unsustainable. And regulatory burdens have grown so exponentially that 1,000-page proposals have become routine.

For example, the capital regulations, with their forever changing of risk weights and requirements, they've become so complicated. And the recent final rule on CRA was nearly 1,500 pages long. So my specific request, under your powers and authority, begins with capital.

I would ask that you look at the community bank leverage ratio, which Congress set with the intent for that ratio to be 8%. But regulators arbitrarily set it at 9%. Now, community banks are experts at what the risks on our balance sheets are, and we can appropriately manage our risk at 8% like we are at 9%.

So I would ask that you relook at lowering the CBLR to 8%. On the asset component, I would ask that community banks not be subject to Section 1071 or Section 1033 of the Dodd-Frank Act that's been enacted by the CFPB, because both of these rules are an attack on the community bank relationship focus model of doing business. I'll give an example on 1071 that's privacy intrusive for our customers and slows down approval processes.

Two Friday nights ago, I had a customer call me that needed a $200,000 loan to purchase some real estate. But the caveat, he needed to close by 9 a.m. on Monday morning. Now, we met that challenge, and he called me as president of the bank to do that, just like other community banks get those same calls.

But when 1071 goes into effect, that won't be a possibility anymore. We'll have to wait on a customer to provide us data that has to go in some database that we don't even know why it exists. So that's why we must be exempted from 1071.

On Section 1033, community banks don't have the resources to provide this data. We're solely dependent upon our core service providers to provide this. And let's face it, if a customer wants to move accounts to my bank or away from it, they can come in and see me, and I'll work with them on a one-to-one basis.

And customers in rural America, they're not even asking for this new procedure for transferring accounts. So the focus of 1033 should be on the largest and most consumer-abusing institutions and exempt community banks. Now, on the liquidity side, I would ask that broker deposit rules not paint the industry with a broad brush.

We need tiered regulations that allows community banks to access broker deposit rules just like we always have. Now, on regulations regarding officers and directors, I would ask that the regulators look at increasing regulation oath thresholds from 100,000 up to 250,000 because community bank executive officers' loans are already scrutinized, so we need that updated based on inflationary concerns. So I'm in my 28th year as a community banker, and regulation has certainly led to the demise of the community bank franchise, shrinking franchises from 14,000 charters down to 4,500 today.

So I appreciate the opportunity to share my concerns with you, and hopefully we can have additional regulatory relief that allows me to continue to provide the relationship-focused model of doing business that we've been privileged to do here in my community for the last 116 years. Thank you.

Art Lindo
Thank you, Mr. Bolton.

Virtual Host
All right, we will go to the next caller, the commenter in our list, Kim DeVore. Kim DeVore, you can go ahead and turn your camera on and unmute.

Kim DeVore
Okay, I cannot turn my camera on. It says the host has disabled it.

Virtual Host

Well, we'll just go with your verbal comments. I'll start the timer.

Kim DeVore
Thank you very much. I appreciate the opportunity. My name is Kim DeVore.

I'm the CEO and President of Jonah Bank of Wyoming. I actually feel like it is perfect that I am following Brad Bolton. I've never met him, but you can ditto the large majority of what that gentleman just said.

I feel like even though we're on opposite sides of the United States, we have very similar thoughts. My bank is $530 million bank. I am one of the founders of this bank.

We started it 18 years ago, and we started it for the sole purpose of building a better Wyoming through small businesses. Our state, I'll describe a little bit. We are 98,000 square miles, very large.

We are the least populated state in the United States. We have a total of 500,000 people in our state. Only two of our communities are over 50,000 in population.

Needless to say, large banks are not flocking to the state of Wyoming to take care of our small businesses or our residential mortgage customers. That's why we started our bank. We decided it was a niche we wanted to fill, and we wanted to help these companies build larger bases for their families, for their employees, and provide for our state.

So 1071, what I'm going to do with my comment time is give you a very real example of how this is going to upend the community banking market. 1071 small business data collection took a huge turn when the data points were added. The extra data points will truly skew the data that comes out of this model, and it will create inaccurate optics of what is happening in the small business lending market.

And I'll give you an exact example. Apples to apples comparisons cannot happen with small business lending. I currently have two different customers, and one of them is a caisson drilling contractor.

He goes in, and he's the one that drills your water well, puts your footings in for your structures, caisson drilling. When he takes out an equipment loan with us, he's going to borrow a half a million dollars for one rig. Now, I have another customer, and it's a dentist.

And when that customer comes in and wants an equipment loan, because for call report collection data, they're both classified as the exact same type of loan. That will be for x-ray equipment or a dental chair. So when we take those two equipment loan data points, and we actually apply the risk pricing to that, that drill rig is hard for us to go find.

It is hard for us to sell in the secondary market. We're going to price that at eight and a half percent because there's risk associated with it. We're going to price the dental equipment probably at seven percent.

And it makes sense. We can resell that. Now, assume that the drilling operator is a woman, which does happen in Wyoming.

We're very proud of that. But let's say that's a woman-owned company. On paper, it is going to appear that we charged a woman for an equipment loan.

That's going to be assumed discrimination. We're going to have to document, document, document. This process is going to take twice as long for our business customers, just as Brad talked about.

It's going to be expensive for us just to buy the software. It's a $50,000 investment for our bank, $10,000 a year to have an external audit of it, and $25,000 to license that software year after year after year. All of that is going to raise costs for our business customers.

All we want to do in Wyoming is take care of the people who are here and help them build their businesses. And small business lending is best served by community banks. Community banks will exit the small business lending industry if this is too hard to comply for or enforced in a manner that is overly burdensome.

Thank you very much for your time.

Art Lindo
Thank you, Ms. DeVore.

Virtual Host
All right, we'll go to the next commenter, Jonathan David.

Jonathan David
Hello, good afternoon. Can you hear me?

Art Lindo
No, Mr. David. All right, we can hear you.

Jonathan David
All right, good afternoon. My name is Jonathan David. I'm with Point Bank in the Dallas-Fort Worth Metroplex.

I began my banking career in 2004, and I spent the last 20 years of my career navigating the ever-evolving world of regulation. I signed up to be a speaker on this panel today because I wanted to express my concerns about how overregulation has and is impacting the community banks in the United States. I'm sure you've seen the statistics of decline in financial institutions since the 1980s.

We had over 25,000 banks in the United States. Today, there's approximately 4,300. The top 100 mega banks make up about 85% of the assets of the market, leaving about 15% of the market remainder for the rest of us to fight over.

This doesn't include the ag credit, the credit unions, the payday lenders, the private equity finance, the fintech companies, et cetera, which none of those have the same playing field as the banks with the overregulation that we're impacted with. Compliance regulatory burden will cause the extinction of community banks in our country eventually if we continue down this path. To jump right in, I feel it's imperative for this panel to begin by

looking at any and all banking regulations that have been imposed since the 1970s and 80s and review those to see if they still serve the intended purpose after 40 or 50 years.

Compare these laws against updates with technology, inflation, competition. Compare these laws to see if they're providing the community with the impact they were once intended to provide. Is this impact harmful to those consumers and small businesses?

Is adding more work on the bank the right approach to simulate lending and adding additional cumbersome paperwork on our borrowers productive? When reviewing the modernization, I would encourage you to spend time in the local communities to see the reality of what bankers, as you heard on the calls today, are dealing with. The perception is that loaning money is easy.

When someone begins their career in lending at a community bank, it sounds glamorous. You anticipate that people are going to walk in the door and request a loan and you'll lend out millions of millions and people are just going to be an evolving door. That does happen about one out of 100 times.

The majority is that bankers roll up their sleeves. They get involved with their communities, their charitable organizations, their chamber of commerce and various networking events. Even then, this is not enough for someone to gain the trust of developing a relationship with a local business owner to change their 20 to 30-year banking relationship because there's a new kid in town.

I bring this up because the perception is cast on community banks in the new way of the CRA reform. The new proposals are extremely subjective and subject to regulator interpretation without the bank being aware of specific goals or requirements and furthermore being able to fulfill the requirements due to limited availability. People have to want to borrow money.

You can't force them to do that and they need to be able to pay back what they're borrowing. 60% of the workforce in the United States are government jobs with the remaining 40% in the private sector. Overall, the lending environment is not the same as it was 50 years ago much because of technology.

There are clearly fewer business lending opportunities available when considering the overall population and market share in relation to the competition. As I previously mentioned, the ad credit, the credit union, the payday lenders is just not the same as it used to be. Another age-old item that hasn't kept up with inflation is the CTR cash limits.

$10,000 was implemented in 1970 and has not had any inflationary adjustments in 54 years. So when considering economic growth and paperwork reduction, consider the additional burden placed on all banks across the United States because of that inflationary. If kept up with inflation, it would be in the $75,000 range.

I agree that that number is a bit large, but there's got to be some middle ground so that there's some reprieve for the banks for the excess time, training, and workload by having such a nominal amount where we're at currently. Another example, as previously

mentioned, is Reg CC. There have been slight changes back with check 21 back in 2004, I believe, but the biggest problem is with the cashier's checks.

Not being able to hold a cashier's check puts community banks basically up against countless amounts of fraud. We've seen that day in and day out with basically bad actors washing checks, fabricating bank stock items that look better than our own. And when presented to another financial institution, they don't know whether or not that that's actually ours, and they're forced to deposit and transact the item.

Virtual Host
And that's all the time we've got for your comments. Thank you so much. Thank you.

Art Lindo
Mr. David, finish your thought for a second. Go ahead, just a second.

Jonathan David
Yeah, so basically, with other payment systems that are available through technology out there today with wire transfers, ACHs, there's other means of being able to transact those items.

Art Lindo
Okay, thank you.

Jonathan David
Yes, sir. Thank you.

Art Lindo
All right, that concludes our second panel.

Virtual Host
This concludes our second panel. We will take a short break and resume the meeting at 1.35 p.m. Eastern. Welcome back to the EGRPRA public outreach meeting.

We will now proceed to the third panel moderated by the Office of the Comptroller of the Currency. I'd like to remind all members of the audience on the line that audio connections are muted and the chat function is disabled for this meeting. Individual commenters who registered with the agencies in advance were notified and will be unmuted so that they begin their presentation when recognized.

We ask that all commenters turn on their cameras when they are recognized. I recognize Beverly Cole, the Senior Deputy Comptroller for Midsize and Community Bank Supervision to moderate this panel.

Beverly Cole
Thank you. Each commenter will have five minutes to comment as indicated by the timer in the upper right-hand portion of your screen. Each commenter must unmute their microphone after being called upon to speak.

Virtual Host

All right, we will go to the first individual on the list that is currently on as Mike Fleming is not. Faith Bautista, I'm going to elevate you to panelist. Please accept being elevated to panelist so you can start your video and begin your comments.

Faith Bautista
Good morning.

Beverly Cole
Good morning.

Faith Bautista
Good morning.

My name is Faith Bautista. I'm the founder and CEO of the National Diversity Coalition and I'm speaking on behalf of our constituents that we serve. Regulations are critical in place to protect consumers, support bank stability, and ensure market integrity.

Banks have been so heavily regulated that limits their ability to provide credit and liquidity to consumers. Regulators working together in a streamlined and coordinated fashion will help the consumer by ensuring the regulators give sufficient attention to enforcement. Regulators will be able to devote more time and resources helping banks with collaboration and strategic initiatives, not just focus on regulatory oversight.

Reduced regulatory burden will result in lower overall operating costs for the institution, which could result in lower costs or fees to the consumer. I called the bank this week to apply for a loan and oh boy, it's painful. I have to submit the way the regulator asked them to.

I'm not technologically savvy so I have to ask my daughter to do it for me. This is why we need digital literacy. Promote digital literacy to empower consumers to navigate online financial services safely and make informed decisions.

To protect vulnerable consumers, we need impactful education and outreach to the communities. We would like to offer the following recommendations.

Consumer engagement.One size fits all campaign is inefficient. With all the sub-ethnic groups, community groups, different immigrants communities, we need different ways to engage with consumers. We need a good dissemination plan in partnership with different CBOs, faith-based organizations that have ties to underserved communities.

Hard to reach consumers to maximize impact. We need good messengers to deliver education, messages to grassroots communities. Efficient complaint resolution.

Establish efficient complaint resolution processes. Sorry.

Efficient complaint resolution.

Establish efficient complaint resolution processes. Ensuring timely responses and clear outcomes for consumers. Provide legal resources to consumer at a low cost.

Enhance oversight of emerging financial technologies. Cryptocurrency regulation. Implement clear regulations for cryptocurrencies including consumer protection measures to address risks like market manipulation and fraud.

FinTech innovation. Foster a regulatory sandbox to encourage innovation while ensuring consumer protection.

Data privacy.

Establish robust data privacy standards to protect consumer information from misuse and authorized access especially in the context of open banking and data sharing. Strengthen consumer education.

Financial literacy programs.

Develop comprehensive financial literacy programs targeting diverse demographics including low-income individuals and underserved communities. This is why NBC youth financial literacy starts at kindergarten. Require financial institutions to provide clear and concise disclosures in plain language, making it easier for consumers to understand terms and conditions.

Increase transparency in complaint handling. Provide regular updates to consumers and publicly reporting on trends. Support consumer advocacy groups to empower consumers and hold financial institutions accountable.

Don't depend on few advocacy groups though. We all have our own constituents. Listen to everyone.

Promote affordable housing initiatives and access to credit to low-income individuals. Enforce fair debt collection practices to protect consumers from harassment and abusive tactics.

Identity theft.

Implement robust identity theft prevention measures including data breach notification requirements and consumer education. Raise awareness of common scams and provide resources to help consumers identify and avoid them. Develop specific protections for elderly consumers who may be more vulnerable to scams and financial exploitation.

By addressing these areas, the OCC, FDIC, and Federal Reserve can significantly enhance consumer protection to ensure a fair market, equitable marketplace. While consumer protection is important, we must make sure that we do not over-regulate companies from providing the needed products and services that consumers think could end up hurting consumers in the long run. Higher prices for consumer, consumer markets, and pay for startup.

Let's find the right balance. Perfect.

Beverly Cole

Thank you for your remarks. Appreciate it.

Virtual Host
All right. The next person on the list is Dave Schroeder. Go ahead and start your video.

David Schroeder
The video says the host has asked you, okay, start my video. It says you cannot start your video. So, I will just proceed with my comments.

My name is David Schroeder. I'm Senior Vice President of Federal Governmental Relations with the Community Bankers Association of Illinois. CBA is proud to represent nearly 270 Illinois community banks which are located throughout the state of Illinois.

Community banks have long been enlisted in the fight against money laundering, identity theft, financial fraud, and terrorist financing. In recent years, the monitoring and reporting of this illicit activity has become increasingly important both nationally and globally. Community banks understand the importance of the development of comprehensive policy procedures, training, monitoring, reporting, verification, auditing, and the periodic examination for compliance regarding the absolutely daunting list of regulations to combat these crimes, including AML, KYC, BSA, CDD, CIP, CTRs, SARs, OFAC, and others.

As good corporate citizens, community banks are proud to fulfill their responsibility to identify and report illicit actors, but doing so comes with a very real regulatory burden and at a significant cost of compliance. This is particularly true for community banks, which are less likely than the largest banks to have sufficient volumes of activity to justify expensive automated processes and divisions of labor. It's also unfortunate that community banks control only less than 15% of the nation's banking assets and are typically not internationally active, which logically suggests they can only be a small part of the solution to this problem.

Accordingly, it's incumbent upon all of the banking regulators to minimize the BSA-AML regulatory burden on community banks. For this reason, CBAI has been a strong proponent of tiered regulation, which is designed to consider the cost and burdens on community banks when promulgating banking regulations and requires appropriate relief. Unfortunately, the banking regulators and other agencies, the CFPB in particular, have done a woefully inadequate job of proposing and implementing regulation, which provide community banks with sufficient, well-deserved, and meaningful regulatory relief.

CBAI hopes the banking regulators will carefully consider our recommendations so that this decennial review, unlike the prior review, will result in truly meaningful regulatory relief for our nation's community banks. CBAI recommends the long overdue increasing of the CTR and SAR thresholds. The current CTR threshold was set in 1970 and should be raised from 10,000 to at least 30,000.

The current SAR threshold was set in 1992 and should be raised from 5,000 to at least 10,000. Both thresholds should be linked to inflation, which is similar to how other regulatory requirements are indexed annually. Unfortunately, today's CTR and SAR thresholds result in overfiling, which assuredly dilutes their value to law enforcement.

These modernized reporting thresholds will result in more focused and valuable information and reduce the regulatory burden on community banks. Additionally, now that FinCEN is collecting beneficial ownership information, community banks should finally be relieved of this burden. It makes logical sense for FinCEN to collect, centrally locate, and provide reasonable access to this information.

It makes no logical sense whatsoever for community banks to duplicate this considerable effort, which is a completely unreasonable and unnecessary regulation for community banks. Finally, CBAI has been active in addressing and combating check fraud, including the great harm it's causing to community banks, their customers, our financial system, and the economy. CBAI member polling proves that the largest banks in this country, which allow fraudulent accounts to be opened, into which fraudulent checks are being deposited, are the primary source of this pernicious problem.

The federal banking regulators, beginning with the OCC, which is the primary regulator for the largest banks, but also the FDIC and the Federal Reserve, must work together to hold the megabanks responsible for their compliance failures for opening these fraudulent accounts, and also for the largest banks failing to promptly and reasonably reimburse community banks for fraud check returns. CBAI thanks you for this opportunity to provide our observations and recommendations, and we will be following up throughout the process with our comment letters. Thank you.

Beverly Cole
Thank you very much.

Virtual Host
All right, we'll go to the next commenter. Phil Buffington, please go ahead.

Phil Buffington
Thank you. Good afternoon, Ms. Cole.

Beverly Cole
Good afternoon.

Phil Buffington
Thank you for the opportunity to speak and share my comments today.

This is a significant undertaking, and I commend the agencies for their continued work. This is a difficult task, but it is essential to ensure the continued viability of the industry. My name is Philip Buffington, and I'm a banking advocate and attorney with Bosch and Bingham, and have been advising and counseling financial institutions on regulatory issues for over 35 years.

There are numerous issues impacting the industry today, but my comments today are on applications and notices. Generally, there must be a recognition that large regional and community banks are different, and one size does not fit all in most instances.

Some additional observations on applications and notices are the requirements that we need to consider the complexity of the transaction, just not compliance requirements in the

application itself, prioritizing risk involved in the transaction, not form over substance, having applications analyzed and processed in a more timely and efficient manner, and specifically the following areas that I think should be carefully reviewed and considered in order to streamline the process are – in the mergers and acquisition area, we need to consider the timeliness of approvals, the clarity of the comment process, deference to information provided by institutions, the transparency of decisions by regulators, and more communication, consideration of all competition to level the playing field, and in addition in the mergers and acquisition process, we need to consider the ability to share CSI in a confidential manner during the due diligence process to ensure the success of the transaction. We need to expedite review of applications with smaller institutions in part because of confidentiality, the personnel issues involved, and the impact on customers and the resulting impact on the institutions if the transaction is not completed.

We should consider the notice and publication requirements being updated, newspaper publications being somewhat outdated in current times, and there also needs to be considered a more effective and equitable process of appealing decisions during the process. With regards to corporate activities, I think consideration should be given to increasing the threshold amount under the Small Bank Holding Company Act Statement from $3 billion to $10 billion. I think that would give some really good consistencies and efficiencies throughout the industry.

We also need to make sure that we're making decisions in a more timely manner and that there's more transparency in the decision-making process. We need to address the over-regulation of community banks based upon actions of larger banks. And again, with this step, we need a more effective and equitable appeal process to move applications further along.

In addition to all of these, the agencies need to consider ways to streamline the process of regarding regulatory approval of institutions utilizing third-party vendors to provide new services to gain efficiencies, economies of scale, and assist in the development of new products to increase revenues, promote the safety and soundness of the institution, and provide new services to customers.

Finally, with regards to de novo applications, there needs to be considerations given to streamlining the process and updating the requirements. I also believe that consideration should be given to the capital requirements during the initial stages with a phase-in as opposed to a potential all-in capital based on performance of three years down the road.

If we don't address the issues regarding de novo applications, we will see less and less de novos and more and more acquisitions of existing institutions causing more consolidation in the industry. The consolidation of the industry itself could create a shortage of financial institutions and possibly lessen the financial services being provided to rural and underserved communities.

The agencies need to address the amount of general regulation going forward and not over-regulate and put undue burdens on banks when they are serving as a source of strength for the communities and the customers they serve.

And then finally, we need to ensure that the bank regulatory process ceases to be politicized by everyone involved. Thank you for your time today and I appreciate the opportunity to provide comments.

Beverly Cole
Thank you for your comment.

Virtual Host
All right, we'll go the next commenter in queue. That would be Bill Briggs.

Bill Briggs
Good afternoon. My name is Bill Briggs, and I am the Director of Federal and Regulatory Advocacy at the Independent Bankers Association of Texas or IBAT. IBAT is the largest state community bank organization in the nation with membership comprised of more than 2,000 banks and branches in 700 Texas communities.

IBAT member bank assets range in size from $27 million to $39 billion with combined assets of nearly $256 billion. Over 80% of IBAT banks have assets than less than a billion dollars. I came to IBAT by way of Washington, D.C. where I spent two decades in and out of government, most recently running the Paycheck Protection Program at the SBA. I came to IBAT because I saw the outsized impact that Texas community banks had in supporting small businesses and communities during the pandemic. I am now greatly concerned about the ability of these same banks to survive the current regulatory burden in the coming decades. I am going to provide the forest first and then provide the trees.

The forest is this. Over the last 30 years, the number of community banks has dropped to one-third the number of what it was in 1994. Dodd-Frank didn't cause the decline in community banks, but it certainly accelerated it.

And what Dodd-Frank and the over-regulation that followed, particularly regulation by the CFPB, has done is make the cost of compliance too high to profitably operate as a community bank in this country. I ask that you keep in mind that the biggest issue is not one specific rule that can be improved or deleted, but rather that the cumulative weight of what the federal regulators and the CFPB have been on community banks in the last 18 months alone is staggering, with nearly 7,000 pages of regulations and guidance.

I echo many of the comments made by Mr. Schroeder from the Illinois Community Bankers Association. As well, you just heard from one of our members today, Jonathan David of Point Bank. Two additional examples of this over-regulation include one of our $900 million banks who now have two full-time compliance personnel doing nothing but trying to comply with all the federal rules and regulations. Another bank with less than $2 billion in assets has 21 compliance and risk management staff.

So, here are the trees. All rules should be tailored to new community bank designation, whereby most community banks below $10 billion are defined in regs and generally subject to more streamlined regulations, can measure it with the capitalization, complexity, and historical performance of the community bank.

Further, we support call report simplification.In particular, the FFIEC-051 should be tailored to cover banks, again, $10 billion and below, where they are well-run and well-capitalized. Those banks that are well-run and well-capitalized can file shortened forms in quarters one and three of a fiscal year, and the more thorough report in Q1, I'm sorry, Q2 and Q4. This would cut down on reporter requirements that have uncertain benefits for anybody but the regulators.

Finally, with the mergers, I would just note that banks, community banks in particular, are at a competitive disadvantage, particularly with credit unions when it comes to mergers and acquisitions activity. Almost no banks buy credit unions, but we often read of large credit unions buying small community banks at great cost to the community and elsewhere. This is no doubt in part because of their tax advantage status and the fact that they do not have to meet Community Reinvestment Act requirements.I would ask that the regulators thoroughly consider our comments and others' comments about streamlining the recent CRA rule.

One of the problems, too, is that the cost of compliance has affected the ability to form de novos, but also, too, we support phased-in capital requirements and tax breaks for de novo banks. In particular, the phased-in capital requirements would begin with 6% on day one, 7% cap requirement on year two, and then 8% at year three.

This would allow a phased-in approach that allows a de novo bank to meet the strenuous capital requirements. Finally, I would note that the increased threshold requirements generally should be considered by the regulators. The 2016 round of GRRPA raised thresholds for the small bank holding company from $1 billion to $3.We currently support raising it or consider raising it to $10 billion in this current round, also raising the debt-to-equity ratio from 1 to 1 to 2 to 1.

Finally, other thresholds that should be raised include raising the currency transaction reporting to $30,000 and raising the suspicious activity report level to $10,000. Again, thank you for the opportunity to present today about the overregulation affecting community banks both in Texas and around the country.

Beverly Cole
Thank you for your comment.

Virtual Host
All right, the next person on our list would be David Barris, but he is not currently on, so we will go to the next caller for his comments. It would be Dave Hanrahan.

Dave Hanrahan
Good afternoon, everybody. Thanks for letting me speak today. My name is Dave Hanrahan.

I am president of Century Savings Bank. I have one specific recommendation for the agencies and particularly the FDIC's consideration, and that’s this. When the FDIC issues updates to its manual of exam policy, exam policies, that it do so in a track changes format.

I am grateful that FDIC makes its exam manuals available to bankers like me. For obvious reasons, it is helpful to know in advance how we are going to be examined. I am also

grateful that people like me can sign up for email alerts from the FDIC for when those changes come out.

However, when I get such an alert, what I typically see is a high-level summary of the changes, usually a few sentences, and an attachment with the new clean version of the pertinent pages that have been altered. It would be better and less outdated and less burdensome on bankers to also be sent a track changes version of the exam manual pages that have been changed. The benefits to the reader would be self-evident.

All of us who review edits to policies and procedures and legal documents, et cetera, know how much easier and how much more effective it is to review such edits in a track changes format. The status quo alternative is akin to looking for needles in a haystack.

Furthermore, I'm pretty sure that red lines to the exam manual already exist.I can't imagine that the good people at the FDIC who work hard to make smart changes to the exam manual would do so without the aid of a track changes version. It also wouldn't surprise me to learn that exam staff are given a red line version to enable them to better comprehend the manual changes that have been made. If I'm right about those things, then it seems to me there would be very little work for the FDIC to do to also provide those benefits to bankers as well.

I can think of no downsides to this recommendation. I can think of only benefits, benefits which in my opinion seem very consistent with the stated objectives of this EGPRA review.

I acknowledge it would be a change for the FDIC to do this.However, as I was preparing my thoughts for today's hearing, I seem to recall one other time that I did see a document from the FDIC in a red line version. And I looked at the FDIC's website and I found it. It was in November of 2015.

The FDIC was issuing for comment an updated FAQ related to brokered deposits. When it did so, it sent out a summary of the changes. It sent out a clean version of the FAQ and it sent out a red line of the FAQ.

And the heading that the FDIC put on that track changes version reads as follows. This document is in track changes format so that readers can easily see the changes. That heading sums up perfectly why I think this suggestion would be appropriate and very helpful to bankers.

Thank you very much for the opportunity to comment.

Beverly Cole
Thank you for the comment.

Art Lindo
And I heard your comment. Thank you for that. I'll take it back.

Appreciate that. Very thorough.

Dave Hanrahan

Thank you.

Virtual Host
I will go to the final commenter that we have. That would be Sheila Collins.

Sheila Collins
Apologize for that. Hello, my name is Sheila Collins. I'm the owner and founder of Girlfriends Who Inspire Change, which is a cause-driven social enterprise.

We aim to use our product services to address economic inequality and promote social transformation. My concern today is I want to, uh let me it's requesting me to start video. Can you hear me?

Beverly Cole
Yes.

Sheila Collins
Okay, it's asking to start the video and I did. I apologize for that.

Virtual Host
Please continue.

Sheila Collins
Okay, let me continue. And I want to focus on my concern today is the money laundering bank secrecy at compliance.

And under section 2121 of the 12 CPR part 21, it says the sharing by a national bank or any director, officer, employer, agent of a national bank of a SAR, any information that will reveal the existence of a SAR within the bank's corporate organization structure for purposes consistent with Title II of the Bank Secrecy Act determined by regulation and guidance. The Bank Secrecy Act, SAR, is referring to suspicion activity report, a student aid report, a service authorization request.

My concern is this. Recently, I had an experience. I was working, I had filed to run for political office. So I went into a bank to open up account.

When I made that attempt, I was scrutinized and by one of the bankers within that financial institution. And they found out that I had affiliation with the World Bank Group and the United Nations, which those institutions, there was no financial transactions that had been done. My concern today, I understand that the bank institutions have to weed out the bad actors and the prospects.

But the way that I was treated within that certain institution that falls up under this Bank Secrecy Act, what happens when a bank representative interpretation is flawed, biased, and stereotypical? And I believe that was my experience that day. The individual also, which I never heard of, identified me as being a pimp.

And so I did my research and I was like, oh, my God, this is far from what I actually am. So I wanted to present that today.

Beverly Cole
Caller, Ms. Collins, did you mute your mic?

. . . addressed. I'm sorry?

Beverly Cole
No, go ahead. For a while, I could not hear you.

Sheila Collins
Okay. And so that's one of my concerns, because I felt victimized and put up under scrutiny for something that was incorrect. And this representative of that financial institution abused his power.So I think that's something that needs to be revisited, because not only do you protect the institution, how do you protect the consumer that's banking with that institution?

I also have another concern, and it falls up under the Community Reinvestment Act. And it says the control of the currency, Treasurer's Section 2527.It said the plan and content measurable goals. It says Banker Savings Association shall specify in its plan measurable goals for helping to meet the credit needs of each assessment area covered by the plan, particularly the needs of low and moderate income geographies and low and moderate income individuals through lending investments and services as appropriate.

My concern is with this. It says the community was established to help each community and individuals uplift themselves by creating small business loans, home mortgages, credit card loans, and other types of loans through the banking system. My concern is how do you measure the outcome of acceptance on a bank loan and enforce banks to comply? Because as you understand that individuals as being a minority and a woman, it has been very difficult for my constituents and myself to be able to do business with these banks.

And those are my concerns.

Beverly Cole
Thank you for your comments.

Sheila Collins
Thank you.

Virtual Host
This concludes the Interagency EGRPRA Public Outreach Meeting. You may now disconnect.