Welcoming Remarks by James Bullard, President and CEO
Third Annual *Community Banking in the 21st Century* Research and Policy Conference
The Federal Reserve System and the Conference of State Bank Supervisors (CSBS)
St. Louis, Mo.
Sept. 30, 2015

Good afternoon, and welcome to the Federal Reserve Bank of St. Louis. The St. Louis Fed is proud to serve as the host site for the third annual *Community Banking in the 21st Century* research and policy conference. It is jointly sponsored by the Federal Reserve System and the Conference of State Bank Supervisors.

Last year, in addition to hearing some of the latest research on community banking from a wide range of academic institutions and regulatory agencies, we also engaged in a spirited debate on the opportunities and challenges facing community banks. Perhaps not surprisingly, regulatory burden was at the forefront of the discussion.

The energy from last year's event helped inform much of the debate that has already taken place in 2015.

For example, last December, the federal regulatory agencies conducted their first of six meetings under the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Under the law, agencies are required, every 10 years, to conduct a review for the specific purpose of identifying outdated, unnecessary or unduly burdensome regulations.

Many of the individuals who either attended last year's conference or were part of the conference program were actively involved in these discussions. We have received numerous comments from the four meetings that have taken place so far, and look forward to seeing the outcomes from these meetings next year.

There have been additional actions. Importantly, in April, the Fed announced that it was increasing the asset-size threshold for small bank holding companies and savings and loan holding companies from $500 million to $1 billion. This change means that more holding company organizations are not subject to consolidated capital requirements, making it easier for parent companies to borrow to finance certain transactions.

In addition, some changes to call report requirements were announced several weeks ago by the Federal Financial Institutions Examination Council. The Federal Reserve is conducting its own review of the call report and other areas and is searching for additional burden-reducing changes that may be applicable in the future.

From my own perspective, more could be done. There appear to be some areas where we have sufficient information and experience to warrant additional action.

For example, we may want to consider the transaction value threshold under which a property requires an appraisal by a state-certified or licensed appraiser. The current limit of $250,000 has been in place since 1994, when it was increased from $100,000. Inflation adjustment alone suggests that the threshold in 2015 should be higher. Based upon a sample of community bank examinations recently performed in the St. Louis Fed's District, we estimate the number of required appraisals would decline significantly. Appraisals on properties in rural areas are often of limited value, especially when the nearest appraiser may be a significant distance away. In many rural communities, bankers know local land values better than anyone outside, and likely even inside, their market. This is a reality of rural markets.

As another example, serious consideration should be given to mandatory escrow requirements for taxes and insurance premiums on mortgages that are held in a community bank's portfolio. Recent amendments to Regulation Z were helpful in that they provided a number of exemptions for certain types of loans made in rural or underserved areas. However, these exemptions do not go far enough. More can likely be done to address escrow requirements for community banks in locations that hold mortgages in portfolio.

We have touched upon these and other issues in past conferences, and I look forward to a healthy debate during this year's conference.

I want to express my appreciation to our conference co-sponsors and to all of the researchers, community bankers and regulators who make this conference possible. This conference has gained a lot of momentum in the three years since it first launched, and I expect that to continue.

Before we move on to the research portion of our program, however, it is my great pleasure to introduce Federal Reserve Chair Janet Yellen.

Janet Yellen became chair of the Board of Governors of the Federal Reserve System on Feb. 3, 2014. She is the first woman to hold this position in the history of the Fed. She is an outstanding research economist with a long and influential research record, much of which was established during her time as a professor at the University of California at Berkeley, one of the premier economics departments in the world. Prior to her appointment as chair, she provided stellar public service as a member of the Board of Governors, the vice chair of the Board of Governors, chair of the Council of Economic Advisers, chair of the Economic Policy Committee of the Organization for Economic Cooperation and Development, and as president and chief executive officer of the Federal Reserve Bank of San Francisco. She is a member of both the Council on Foreign Relations and the American Academy of Arts and Sciences.

Please join me in welcoming my esteemed colleague and chair of the Federal Reserve, Janet Yellen.