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A Message from Governor Bowman

by Governor Michelle W. Bowman

Fourth Issue 2021



Governor Michelle W. Bowman

As 2021 draws to a close, I would like to extend my best wishes for a happy and healthy holiday season. We are all grateful for the efforts of community banks to support their communities facing many challenges since the onset of the pandemic. Since that time, our economy has made

great strides, which is a testament to the resilience of households and businesses like yours. As we plan for the year ahead, I would like to share my perspective on how the Federal Reserve carries out its monetary policy, my thoughts on the state of the U.S. economy, and my views for the coming year.

The Fed’s Responsibilities and How We Carry Out Monetary Policy

The Federal Reserve conducts monetary policy to support a strong and stable U.S. economy. Our official mandate from Congress is to pursue two goals, maximum employment and stable prices, which are often referred to together as our dual mandate. In pursuing both at the same time, the Federal Reserve seeks the maximum level of employment that is consistent with price stability. Our monetary policy framework references an annual inflation rate of 2 percent as most consistent with the long-term goal of stable prices.

Monetary policy decisions are made by the members of the Federal Open Market Committee (FOMC), which meets eight times each year.¹ In preparation for each FOMC meeting, we analyze the latest economic data and assess where the economy stands relative to our two mandated goals.²

Since joining the Federal Reserve Board (Board) three years ago, I have participated in more than 20 meetings as a member of the FOMC. During the meetings, each participant presents their economic outlook, which gives

¹ Except in very unusual circumstances, monetary policy decisions are made during our regular FOMC meetings. The 12 Reserve Bank presidents and the members of the Federal Reserve Board of Governors participate in these meetings, with five of the 12 presidents and all of the Governors voting as members of the FOMC.

² For a list of FOMC members, see www.federalreserve.gov/monetarypolicy/fomc.htm.

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me the opportunity to consider a range of forecasts of U.S. economic activity. Economic forecasting is challenging, to say the least. In preparing for each FOMC meeting, I spend a considerable amount of time focusing on economic and financial data we receive from a variety of sources and qualitative information from my own outreach.

I regularly conduct extensive outreach to gather timely information from a broad range of industries and geographic areas. One of these opportunities is the Fed Listens initiative. Fed Listens is a series of important outreach events that allow me to hear from a range of different voices about their experiences in the local and regional economies and how broader economic conditions affect them.

I also routinely speak with local community bankers, who are excellent sources to help me better understand the important effects of monetary policy decisions on Main Street. During the pandemic, I began to engage in one-on-one discussions with the leaders of the more than 650 state member community banks in the Federal Reserve's supervisory portfolio. The conversations thus far have provided considerable insight and perspective into national and regional economic conditions. With this perspective, and relying on my rural Kansas background, I also pay close attention to developments in rural communities and in the agriculture sector, monitoring the effect of Fed policy in those areas.

As a member of the Board, I receive valuable input throughout the year from several advisory councils. Recently, the Board met with the Federal Advisory Council (FAC) and the Community Depository Institutions Advisory Council (CDIAC). The FAC confers with the Board on economic and banking developments during four meetings each year. It consists of 12 members, one from each Federal Reserve District.³ The CDIAC meets with the Board twice each year, providing views on the economy, lending conditions, and other issues. Members of the CDIAC serve on Federal Reserve Bank local advisory councils and have experience working

³ See www.federalreserve.gov/aboutthefed/fac.htm.

in smaller depository institutions.⁴ Official summaries of these council discussions are posted on the Board's public website.⁵

Current Economic Conditions

Now that I've given you an idea of how I prepare for FOMC discussions, let me describe my view of current economic conditions and my outlook for the economy.

There has been steady progress toward maximum employment this year. In February 2020, unemployment stood at 3.5 percent. By April, unemployment had risen to 14.8 percent during the height of the social distancing and economic restrictions imposed during the pandemic. But output and employment have been gaining since May 2020, and unemployment now stands at 4.2 percent, which is a considerable improvement. Demand for labor has been very strong this year: Job gains have averaged about 400,000 per month over the past three months, down somewhat from the average pace of 567,000 per month in the first half of the year, but still remarkably strong.

The biggest challenge we face in maintaining the pace of job gains is a shortage of qualified workers in many sectors. Job openings continue to hover around record levels, and employers consistently tell me they are worried about filling jobs and retaining workers. Although initial estimates from the August, September, and October increase in payrolls were smaller than many had predicted, the estimates were revised up substantially in subsequent jobs reports. These large revisions emphasize the importance of caution when interpreting data during a period of remarkable economic expansion. And going forward, I expect to see a continuation of employment growth, especially in those sectors most adversely affected by the pandemic.

As we look to the new year, one area I will continue to watch closely is inflation. Earlier this year, as the economy reopened, we saw a pronounced pickup in inflation, as prices for motor vehicles, electronics, and

⁴ See www.federalreserve.gov/aboutthefed/cdiac.htm.

⁵ See www.federalreserve.gov/aboutthefed/advisorydefault.htm.

other goods rose especially rapidly. Some of these increases could be traced to bottlenecks in global supply chains. The bottlenecks have often been the direct result of shortages of labor and key materials used in production and distribution.

I expect that the bottlenecks will eventually be resolved, and that inflation will gradually step down from the current high rates. But at the same time, I still see a risk that these supply pressures could last longer than expected.

The labor shortages I referenced earlier are another source of inflation risk. Workers are in high demand, and employers are offering inducements, including bonuses and higher wages, to attract new employees. Wage increases and these additional workforce investments add to business expenses, likely contributing to inflationary pressures, and may be passed on to consumers.

Rapidly rising home prices also pose risks to inflation, in addition to raising potential concerns about valuation pressures. The ongoing strength in housing demand is also notably driving up rental costs.

While short-term inflation expectations have moved up in an apparent response to higher inflation this year, measures of longer-term inflation expectations have generally remained broadly consistent with our 2 percent inflation goal. However, if elevated inflation readings persist, we could see an unwelcome rise in longer-run inflation expectations. Should this occur, I would support further adjustments of our monetary policy. This is relevant because the Fed has long considered the anchoring of longer-run inflation expectations as an important condition for meeting our monetary policy goals.

In conclusion, our economy has made great strides this year, and I expect this to continue in the coming months. That said, my colleagues and I will be watching inflation closely. ■

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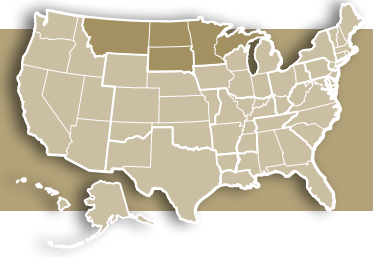
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View from the District

A Ninth District Perspective — Minneapolis



Community Banks Are Key Partners with Agricultural Producers Despite Reduced Agricultural Lending

by Christine M. Gaffney, Senior Vice President, Supervision, Regulation and Credit, Federal Reserve Bank of Minneapolis*



Christine M. Gaffney

Given that agriculture plays a critical role in the Ninth District's rural economy, local communities, and banking sector, including the part of the Ninth District¹ in which I grew up, I have always been drawn to the nation's dependency on agriculture. With friends and family farming in the Red

River Valley over the years, I quickly learned the mantra "If farmers do well, everyone does well." As I found myself in a career supervising banks — largely community banks with agricultural concentrations — I realized that it wasn't quite this simple. For context, over 40 percent of the counties in the Ninth District have economies dependent on agriculture.² In addition to the farmers and ranchers, the Ninth District's agricultural economy includes suppliers, services, and many other businesses and people supporting the industry. In the most recent Census of Agriculture, the market value of products created and sold by over 170,000 farm operations in the Ninth District

totalled more than \$42 billion.³ This article focuses on the dependencies and interconnections between agricultural producers and community banks, which are both equally critical to the communities they serve.

Although I focus on agricultural-related lending in this article, I believe that I provide a few "seeds" for thought for all community banks to consider in understanding the business needs and market dynamics in their communities as well as sound risk management practices for those involved in agricultural lending.

Agriculture and Banking Are Long-Term Partnerships

Community banks are important, long-term partners with farmers and ranchers (referred to as "agricultural producers" in this article) across the Ninth District.⁴ Often, these agricultural producers are multigenerational operations with long-term goals that span decades. The agricultural producers need long-term banking solutions with partners who understand their immediate needs during a temporary shortfall and the decades-long goals of each operation.

Most agricultural banks are headquartered in rural counties, which is a great benefit to agricultural producers

* Special thanks to agricultural expert Tait Berg, senior examiner, Banking & Policy Studies/System Analytics, Supervision & Regulation, Federal Reserve Bank of Minneapolis, for assisting with the data provided in this article.

¹ The Ninth District covers Montana, North Dakota, South Dakota, Minnesota, the Upper Peninsula of Michigan, and 26 counties in northwestern Wisconsin.

² See U.S. Department of Agriculture, Economic Research Service, Atlas of Rural and Small-Town America, 2021, available at www.ers.usda.gov/data-products/atlas-of-rural-and-small-town-america.

³ The U.S. Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS) conducts the Census of Agriculture every five years. The NASS conducted the most recent census in 2017. The most current and historical census data can be found at www.nass.usda.gov/agcensus. The USDA defines a farm as any place that produced and sold — or normally would have produced and sold — at least \$1,000 of agricultural products during a given year.

⁴ *Community banks* are banks with total assets equal to or less than \$10 billion.



in the banks' market areas.⁵ The proximity of the banks' headquarters and their lending teams to their customer base allows them to be highly knowledgeable about local market conditions and how industry changes may affect market demand for agricultural products. About half of the 473 community banks headquartered in the Ninth District are considered agricultural banks, and they hold two-thirds of outstanding farm debt in the Ninth District, totaling over \$13 billion.⁶

2020 U.S. Farm Sector Income

Monitoring the financial health of the banking and farming sectors is an important part of our supervision responsibilities. After five years of below-average farm income, the agriculture industry, producers, and bankers were optimistic heading into 2020. Recently signed trade agreements boosted expectations for improved demand for U.S. agricultural products, after several years of weak exports. However, the optimism was short lived, as the COVID-19 pandemic expanded globally and uncertainty gripped global markets. The initial uncertainty caused

the prices of major agricultural commodities to fall, prompting prices received by producers to decrease 11 percent in one month.⁷

The rapid decrease in commodity prices quickly turned the initial 2020 farm sector expectations into what many thought would be the sixth year of lower farm income and worsening agricultural financial conditions. Sinking commodity prices were met with aid packages for the agricultural producers affected by the pandemic, and, just a few months later, the expectations for farm sector income and financial conditions had improved once again. Bankers and industry leaders throughout the Ninth District reported that the aid packages greatly improved the financial condition of agricultural producers affected by volatile commodity prices during the early phase of the pandemic.⁸

⁵ *Agricultural banks* are banks where farm production loans and farm real estate loans comprise at least 25 percent of total loans during a quarter.

⁶ Data were obtained from the Call Report, as of March 31, 2021, for community banks headquartered in the Ninth District.

⁷ Decreases were measured between March 2020 and April 2020 by Agricultural Prices Received Index values. The index is a broad measure of prices received by producers for crop and livestock commodities. For more information, visit the NASS Prices Survey page at www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Prices/.

⁸ The major federal programs for agricultural commodity producers were the Coronavirus Food Assistance Program (CFAP) and the Paycheck Protection Program (PPP). As of June 30, 2021, the CFAP disbursements to producers in the Ninth District states totaled \$4.8 billion. PPP loans outstanding as of March 31, 2021, totaled \$1.8 billion at community banks headquartered in the Ninth District.



Coupled with the pandemic-related assistance, increased commodity prices helped net farm income surge to its highest level since 2013. During the second half of 2020, despite the ongoing pandemic, commodity prices rallied as commodity supplies dwindled and global demand for U.S. commodities increased. The increase in farm sector income was welcomed by agricultural producers in the Ninth District. Discussions with bankers and agricultural credit conditions survey results indicated that key financial indicators for agricultural producers improved substantially as the producers replenished working capital and reduced debt levels. Although the rapid increase in farm income was a boon to agricultural producers, some agricultural banking experts are concerned that the rapid increase in loan repayment rates and reduced loan demand, if prolonged, could have longer-term effects on the profitability of agricultural banks.

Changing Profile of Agricultural Banks

Rapidly improving financial conditions for agricultural producers in the second half of 2020 led to increased loan repayment rates, reduced loan demand, and decreasing

farm debt outstanding at community banks. Using first quarter 2020 and 2021 Call Report data, a year-over-year comparison of agricultural debt outstanding in the Ninth District shows a significant decrease in outstanding loan balances at agricultural banks. Total farm debt outstanding at these agricultural banks decreased by over 16 percent, primarily due to a reduction in agricultural production loans.

A closer look at the loan data, however, shows that the major contributing factor in the decrease of agricultural loans outstanding at agricultural banks is that the number of community banks classified as agricultural banks dropped by 10 percent in the same period. The banks that no longer meet the criteria for an agricultural bank have transitioned back to being community banks with an agricultural loan portfolio

below the 25 percent threshold, a quasi-agricultural bank of sorts. These quasi-agricultural banks accounted for approximately \$1.6 billion (over 10 percent) of all outstanding agricultural loans in the Ninth District as of the first quarter of 2021. These community banks are important to agricultural producers and surrounding communities because they still hold significant amounts of outstanding agricultural loans and other loans that support businesses in the community. These banks could quickly transition to being agricultural banks again in the future as agricultural producers increase loan demand and the banks' loan portfolio composition changes.

As overall farm sector income increases, we should expect to see changes in measures of financial performance at both the bank and producer levels. Decreased loan demand at agricultural banks is a concern for the banks' long-term profitability, but increasing farm loan delinquency rates are also a concern. Understanding the relationship and balance between the two is important for agricultural banks because swings in farm sector income can happen quickly.

Surveys Provide Insight on Farm Income and Loan Demand

Given their familiarity with the local agricultural producers and borrowing base, staff at agricultural banks have detailed knowledge of the agricultural credit needs in their market areas. Each quarter, lenders at agricultural banks in the Ninth District provide insight on the agricultural credit conditions in their market areas by completing the Ninth District Agricultural Credit Conditions Survey. Analyzing the survey results provides valuable information on the current financial performance measures and longer-term trends for the agricultural economy in the Ninth District. The survey results provide valuable insights that help us as regulators to better understand and explain the cyclical nature of the agricultural economy.

The survey responses reveal several important characteristics regarding agricultural lending patterns in the Ninth District. The survey shows that the lending relationships between agricultural banks and agricultural producers center on three important financial measures: farm income, loan demand, and loan repayment rates. Loan repayment rates tend to increase quickly as farm income increases and agricultural producers want to reduce interest expenses and outstanding debt levels. Loan demand tends to decrease slightly as farm income increases, but more gradually than repayment rates. The gradual changes in loan demand reflect the fact that agriculture is capital intensive and producers need baseline levels of working capital and other debt to keep operating efficiently and effectively. Changes in loan demand are also slower to decline because agricultural producers take advantage of high-income years to take on debt to expand operations, update machinery, and pay for higher operating costs.

Consistent Risk Management Practices Expected Regardless of Market Conditions

In 2020, as producers and community banks experienced the up-and-down cycle of the agriculture market, economic conditions and producer financials changed rapidly. Farm income increased rapidly, leading to reduced loan demand and changes in loan portfolio composition. The rapid changes in agricultural market conditions

highlight the importance of consistent and prudent risk management strategies regardless of market conditions. Supervision and Regulation (SR) letter 11-14, “Supervisory Expectations for Risk Management of Agricultural Credit Risk,” outlines the supervisory expectations for a community bank’s risk management program.⁹ These expectations vary based on the community bank’s risk characteristics, complexity, and exposure to agriculture. Following the guidance in SR letter 11-14 allows community banks to apply appropriate risk management practices during times of rapidly changing market conditions, such as those experienced during 2020.

Conclusion

Agricultural producers and community banks have a unique relationship due to the cyclical nature of agricultural production. Farm sector income can vary significantly between operating cycles, creating funding gaps and additional credit needs for operating expenses. Conversely, loan demand can decrease to levels that create concerns about overall banking sector profitability. The 2020 operating year for agricultural producers was like no other.

As I write this, the immediate challenges in the agricultural sector caused by the pandemic appear to be all but over. Another operating year has started and presents new challenges to the agricultural producers in the Ninth District, as they confront production risks both known and unknown. Farm sector income has once again risen to levels that offer profitable production for most agricultural producers. Based on historical agricultural credit survey data, farm income can drop as quickly as it can rise. If that should happen, I am confident that the community banks will be here to serve the agricultural producers across the Ninth District. ■

⁹ SR letter 11-14, “Supervisory Expectations for Risk Management of Agricultural Credit Risk,” is available at www.federalreserve.gov/bankinfo/srletters/sr1114.htm.



The Evolution of the Community Bank Business Model Series: Rural Banks Endure in the Face of Challenges

The Evolution of the Community Bank Business Model series¹ concludes with this article that focuses on how urban and rural banks have been influenced by changes in the banking environment.² Some changes have uniformly affected both rural and urban banks. From 2015 to 2019, for instance, rural community banks decreased in number by 14 percent, while urban community banks decreased in number by 17 percent — a relatively modest difference in rates of contraction.³ A similar story emerges from comparisons of profitability, as returns on assets from 2015 to 2019 were higher at rural banks than at urban banks in some years and lower in others.⁴

However, other changes in the banking environment have affected urban and rural banks differently. This article focuses on the following six differences: lending

specialization, branching, competition, small business lending, managerial succession, and technology. These are not inclusive or thoroughly analyzed in a way that accounts for variation in size across banks in urban and rural markets. Nevertheless, they are important, both individually and collectively, in demonstrating how rural community banks remain competitive in today's banking environment.

Lending Specialization

Lending specialization is important in understanding community banks, as risks and returns vary by loan type, time period, and degree of diversification.⁵ They also vary by urban and rural location.

Urban banks are more concentrated in commercial real estate lending. This lending specialty was relatively unprofitable prior to the Great Recession and relatively profitable afterward.⁶ Rural banks are more concentrated in agricultural lending (Figures 1 and 2), which has been a relatively profitable specialization for decades.⁷ Other concentrations are more similarly distributed for urban banks and rural banks.

¹ This article is the second in a two-part series based on research conducted in 2019 by Federal Reserve staff: Bettyann Griffith, Federal Reserve Bank of New York; Deeona Deoki, Federal Reserve Bank of New York; Chris Henderson, Federal Reserve Bank of Philadelphia; Chantel Gerardo, Federal Reserve Bank of Philadelphia; James Fuchs, Federal Reserve Bank of St. Louis; Mark Medeiros, Federal Reserve Bank of Atlanta; Justin Reuter, Federal Reserve Bank of Kansas City; Jonathan Rono, Board of Governors; and James Wilkinson, retired from the Federal Reserve Bank of Kansas City.

The first article, "The Evolution of the Community Bank Business Model Series: Impact of Technology," appeared in the Third Issue 2021 of *Community Banking Connections* and is available at www.cbfrs.org/articles/2021/i3/the-evolution-of-the-community-bank-business-model-series-impact-of-technology.

² For purposes of this analysis, "rural" community banks are located outside, and "urban" community banks are located inside metropolitan statistical areas.

³ Data were obtained from the Consolidated Reports of Condition and Income (Call Reports).

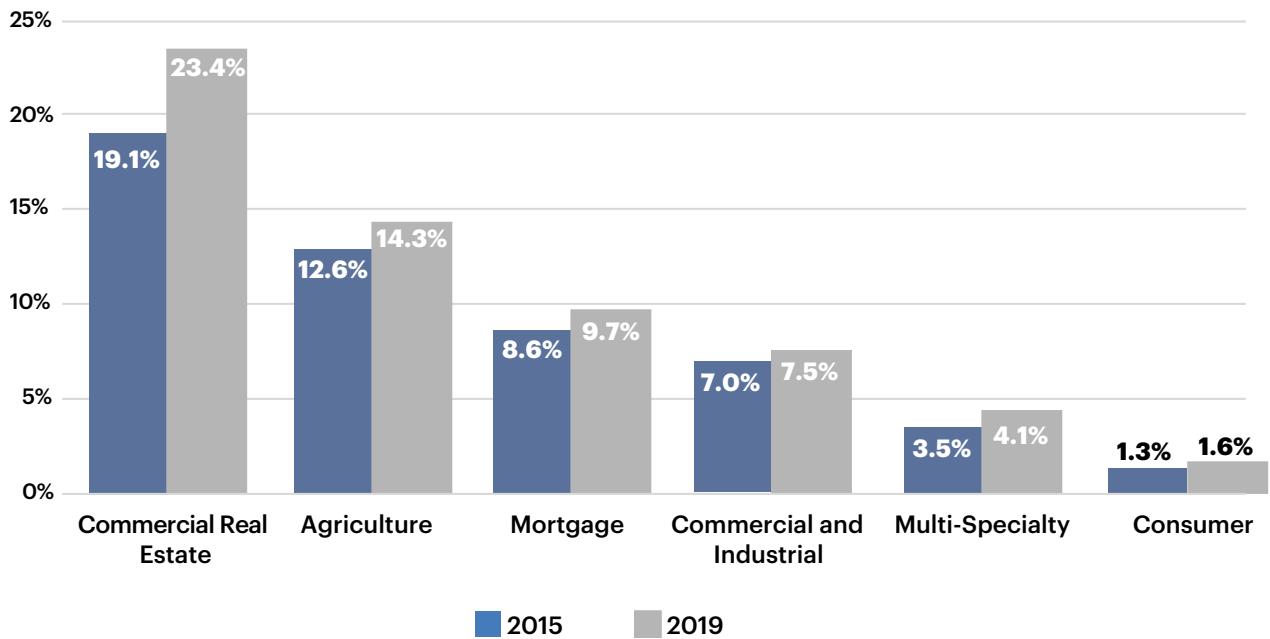
⁴ Data are from the Call Reports.

⁵ Specialization is measured using the methodology from the Federal Deposit Insurance Corporation (FDIC) Community Bank Study (2012) to categorize banks as specialists in mortgages, consumer loans, commercial real estate loans, agricultural loans, or business loans or as multi-specialists that focus on more than one category. The study is available at www.fdic.gov/regulations/resources/cbi/report/cbsi-execsumm.pdf.

⁶ FDIC Community Bank Studies (2012 and 2020).

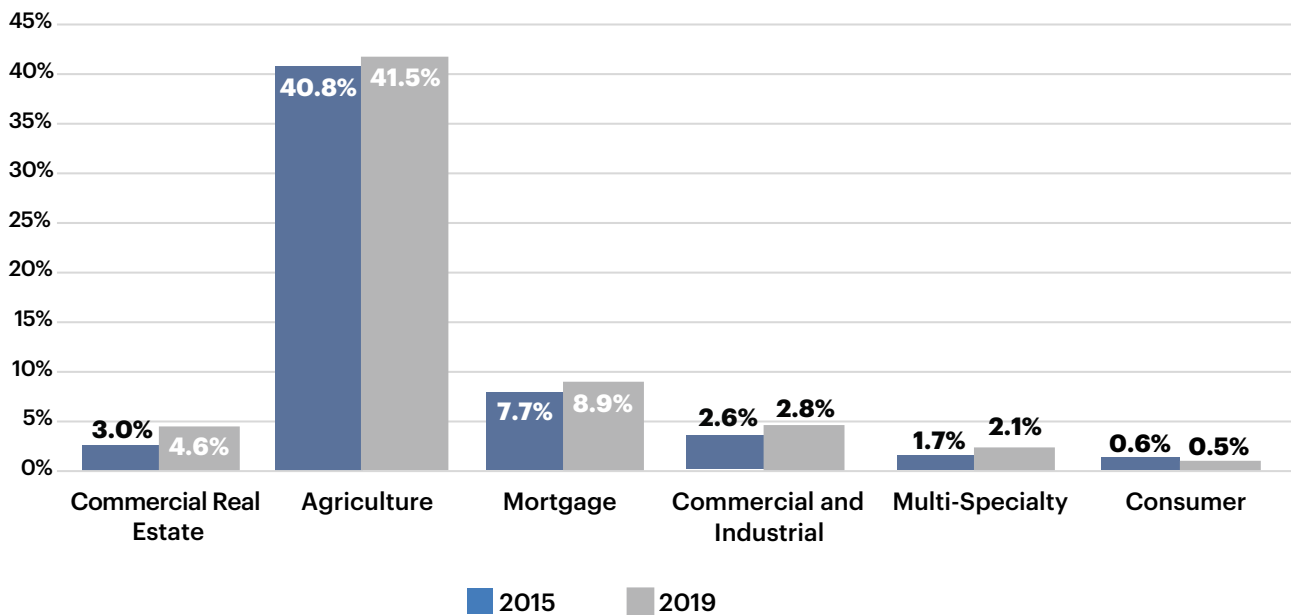
⁷ FDIC Community Bank Studies (2012 and 2020).

Figure 1: Percentage of Urban Banks with Assets Under \$10 Billion, Specialized by Loan Type



Source: Call Report data. The numbers represent the percentages of community banks specializing in various lending categories.

Figure 2: Percentage of Rural Banks with Assets Under \$10 Billion, Specialized by Loan Type



Source: Call Report data. The numbers represent the percentages of community banks specializing in various lending categories.

Table 1: Branch Closings, 2015 to 2019

		Number of closed branches				
		2015	2016	2017	2018	2019
Rural		94	103	102	102	98
Urban		1,992	1,395	1,191	1,447	1,540

		Ratio of closed branches to total branches				
		2015	2016	2017	2018	2019
Rural		0.13%	0.14%	0.14%	0.14%	0.14%
Urban		1.58%	1.94%	1.66%	2.06%	2.21%

Note: The sample consists of full-service brick-and-mortar bank branches operating outside main offices. Closings for a given year occur during the one-year period ending on June 30 of that year. The ratio of closed branches to total branches is calculated as the number of branches that closed within that year divided by the number of branches in existence at the beginning of the year. Rural banks are those located outside metropolitan or micropolitan statistical areas. Urban branches are in metropolitan statistical areas.

Source: FDIC Summary of Deposits data

Looking at changes over time, the percentages of banks specializing in the various forms of lending have generally increased by amounts that are modest in raw percentages but, in some cases, represent large proportions relative to initial levels. These changes, however, do not appear to be markedly and systematically different across rural and urban locations. This contrasts with earlier findings that urban banks were more likely to change specializations than rural banks.⁸

Branching

Branching activity is important both as a method of delivery for financial services and as a scale by which endurance can be weighed. The balance appears to favor rural banks (Table 1). In 2019, for instance, 1,540 branches closed in urban areas compared with 98 in rural areas. Ratios of closed to total branches follow a similar pattern, at levels of 0.14 percent in rural areas and 2.21 percent in metropolitan areas. Although rural branch closures are less common than urban branch closures, they may

be more impactful because rural customers have fewer alternative services than customers in urban areas.

Market Concentration

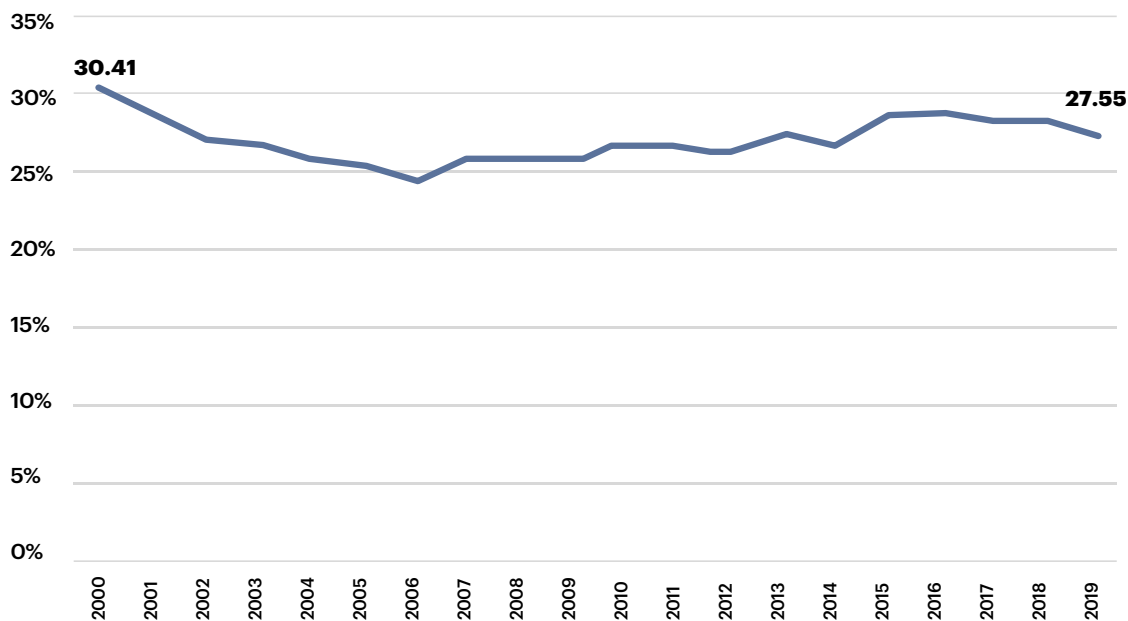
More competition helps consumers by encouraging greater product differentiation, a lowering of the cost of financial intermediation, and more access to financial services.⁹ It can hurt banks to the extent that it leads to lower net interest margins (lower interest rates on loans and higher interest rates on deposits). It also may foster excessive risk taking and thereby lead to a less stable banking environment.¹⁰ Regulators balance these factors in monitoring banking market structure. Rural banks operate in more concentrated markets than urban

⁸ FDIC Community Bank Study (2012).

⁹ A. Demirguc-Kunt, "Bank Concentration, Competition, and Financial Stability: What Are the Trade-Offs?" *World Bank Blogs*, May 11, 2010, available at <https://blogs.worldbank.org/allaboutfinance/bank-concentration-competition-and-financial-stability-what-are-trade-offs>.

¹⁰ See Demirguc-Kunt, "Bank Concentration, Competition, and Financial Stability: What Are the Trade-Offs?," 2010.

Figure 3: Percent of Urban Markets with HHIs Greater Than 1,800



Source: FDIC Summary of Deposits data

banks.¹¹ In 2019, for instance, less than 28 percent of the banks in urban markets (Figure 3) operated in markets considered to be highly concentrated, compared with about 89 percent of the banks in rural markets (Figure 4). Moreover, this difference has become more pronounced over time. From 2000 to 2019, the number of rural banks in concentrated markets has increased (from 88 percent to 89 percent), while the number of urban banks has decreased (30 percent to 28 percent).

The foregoing analysis of market concentration shows that community banks in urban areas are subject to tougher competition, which, theoretically, lessens their influence over the pricing and provisioning of bank services in their markets. Rural banks, alternatively, experience less in-market competition for banking products and services.

¹¹ A banking market with a Herfindahl-Hirschman Index (HHI) greater than 1,800 is considered by the U.S. Department of Justice and the Federal Reserve System to be “highly concentrated.” For the definition of HHI, an explanation of how HHI is calculated, and the use of the index to assess market concentration, see “The ABCs of HHI: Competition and Community Banks,” *On the Economy* blog, St. Louis Fed, June 11, 2018, available at www.stlouisfed.org/on-the-economy/2018/june/hhi-competition-community-banks.

Small Business Lending

Small business lending often is described as the hallmark of community banking. But this traditional role has been challenged by non-community banks as well as by other lenders. For example, from 2015 to 2019, loans to small businesses as percentages of assets at community banks declined by 8 percent while increasing by 4 percent at non-community banks.¹²

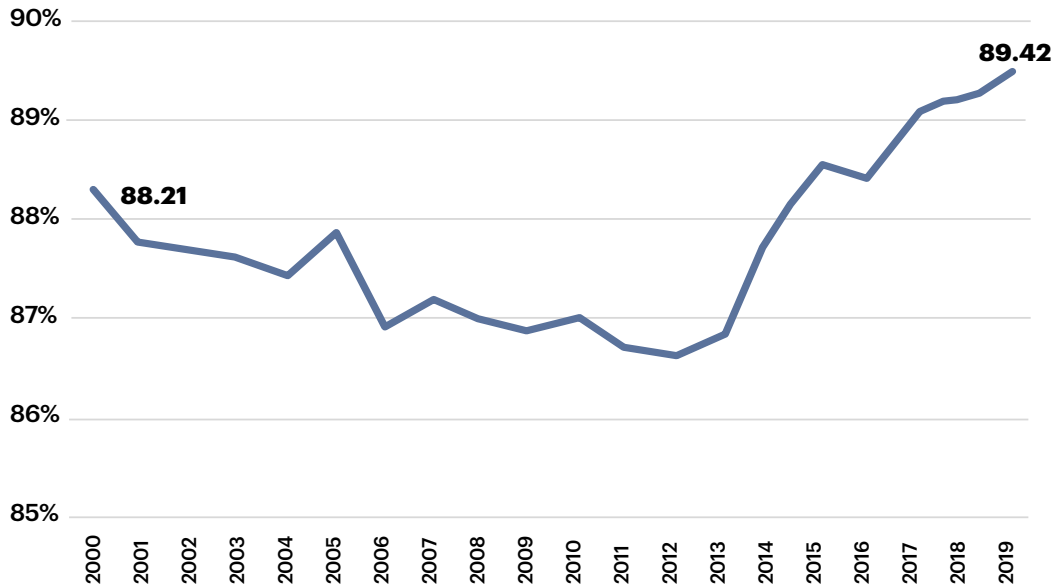
Rural banks, however, were less impacted than urban banks (see Table 2). Loans to small businesses, expressed both in dollar volumes and as percentages of assets, were relatively stable from 2015 to 2019 for rural banks, while declining for urban banks. This may indicate an evolution in banking that varies by geographic location, with rural banks maintaining a more traditional banking model.

Succession

Rural banks are often said to be challenged by difficulties in attracting qualified managers. Some analysts have contended that if talent is correlated with performance

¹² Data were obtained from the Consolidated Reports of Condition and Income (Call Reports).

Figure 4: Percent of Rural Markets with HHIs Greater Than 1,800



Source: FDIC Summary of Deposits data

Table 2: Small Loans to Businesses at Community Banks

	Rural		Urban	
	2015	2019	2015	2019
Loans (% of assets)	\$38.2 (12.1%)	\$40.6 (11.7%)	\$228.9 (11.2%)	\$209.5 (10.2%)
Number of Banks	1,556	1,342	3,657	3,030

Source: Call Report data. Dollar amounts are expressed in billions.

Table 3: Internet Deposits

	Dollar Amount in Billions		Number of "Cyber" Branches	
	June 2019	June 2020	June 2019	June 2020
All Banks	\$407	\$662	191	190

Source: Call Report

and is less accessible in rural communities, then difficulty in replacement of managers at rural banks, compared with equivalent replacement at urban banks, could, over time, erode their competitiveness. Evidence in support of this contention, however, is anecdotal rather than empirical. A 2018 study that directly examined differences in performance between urban and rural banks when new chief executive officers came on board¹³ found that the competitiveness of rural banks is not, in fact, eroded by succession problems.

Technological Innovation

The introduction of new technologies historically has been slower in rural banking markets than in urban banking markets. This may be related, in part, to disinterest among rural populations, or lesser access to internet services, which, in 2015, were used by 75 percent of urban populations but by only 69 percent of rural populations.¹⁴ “We have approximately 4,000 separate customers using 16,000 loan and deposit accounts,” noted one banker in response to the Conference of State Bank Supervisors 2020 National Survey of Community Banks.¹⁵ “Yet, we have less than 500 users of our mobile banking app.”

Another problem may reflect difficulties in supply, rather than demand, in technological services — that is, the limited operational capabilities of small, rural banks may be important, as well as the preferences of rural bank customers. In this regard, consider the tiny, but growing, use of internet deposits (Table 3), almost all of which were raised by non-community banks operating in urban areas. Rural banks, perhaps, could seek to access such out-of-market deposit gathering strategies as a

possible response to locally contracting markets. They previously have been successful in introducing other technologies, including mobile banking and interactive teller machines.¹⁶

Conclusion

Succession difficulties, limited loan demand, branch closures, and other factors that erode the competitiveness of rural banks are important, in part, because the loss of banking services is particularly impactful for customers in remote areas. However, the challenges facing rural community banks, compared with those in urban areas, may not be as stark as is sometimes suggested. They are doing better in small business lending, are not necessarily disadvantaged by succession, and are closing branches at lower rates. Their profitability approximates that of other banks, supported, perhaps, by advantages of operating in more concentrated markets. In some cases, community banks are overcoming technological limitations by adding new products and services. They have grown more similar to urban banks in how they change lending specializations.

Despite a more challenging economic environment, as stated in a 2018 speech by then Vice Chair for Supervision Randal K. Quarles, “rural community banks appear to be holding their own relative to urban community banks.”¹⁷ ■

¹³ D. Dahl, M. Milchanowski, and D. Coster, “CEO Succession and Performance at Rural Banks,” presented at the 2018 Community Banking in the 21st Century research and policy conference, is available at www.communitybanking.org/-/media/files/communitybanking/2018%20papers/session3_paper1_milchanowski.pdf.

¹⁴ D. Dahl, A. Meyer, and N. Wiggins. “How Fast Will Banks Adopt New Technology This Time?” *Regional Economist*, Fourth Quarter 2017, available at www.stlouisfed.org/publications/regional-economist/fourth-quarter-2017/banks-adoption-fintech.

¹⁵ Results of the survey were presented at the 2020 Community Banking in the 21st Century research and policy conference. See www.csbs.org/system/files/2020-09/cb21publication_2020.pdf.

¹⁶ Conference of State Bank Supervisors 2020 National Survey of Community Banks.

¹⁷ See the October 4, 2018, speech, “Trends in Urban and Rural Community Banks” at the Community Banking in the 21st Century research and policy conference. A video of the speech is available at www.communitybanking.org/video/brightpop/fc63e5dfc02240bfb9537202032ec2b2.



Fintech Partnership Paper and Vendor Due Diligence Guide

As consumer demand for digital financial services continues to increase, banks are looking for ways to improve the efficiency and competitiveness of their offerings. Many community banks are seeking access to innovative technologies through partnerships with third parties, including nonbank financial technology companies (fintechs). To that end, the Federal Reserve supports responsible innovation that provides community banks access to new technologies. A bank's use of technology should ensure safety and soundness of the institutions and protection of consumers.

In light of the growing partnership landscape between banks and fintechs, the Federal Reserve recently released two resources aimed at assisting community banks.

Community Bank Access to Innovation Through Partnerships

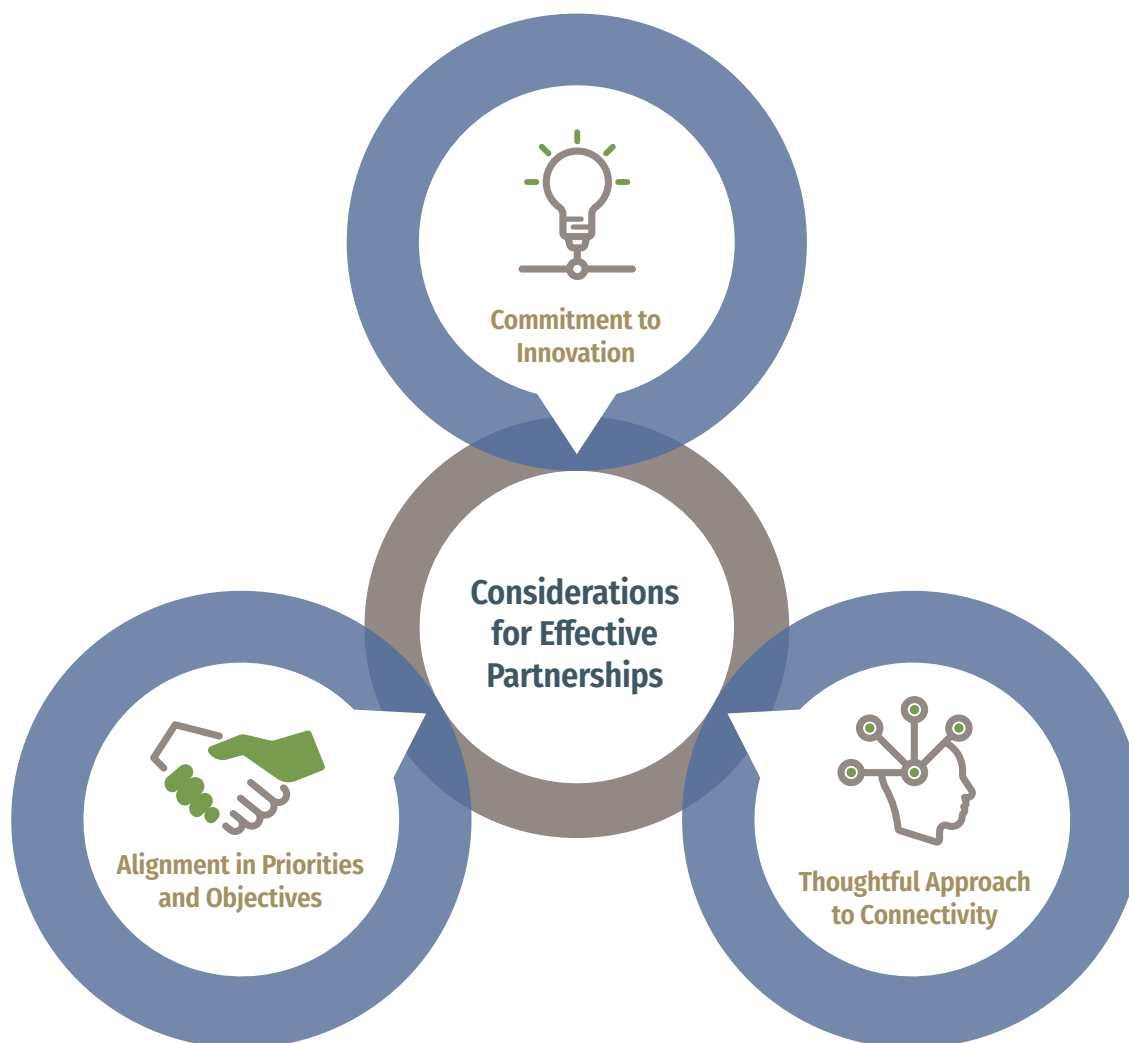
On September 9, 2021, Federal Reserve staff published a paper on the evolving landscape of community bank partnerships with fintech companies, based on insights gathered from a broad outreach effort.¹ The paper describes different types of community bank–fintech

partnerships, with the associated benefits, challenges, and risks. As an example, partnerships that are aimed at improving the operational efficiency and effectiveness of a community bank can potentially reduce operating costs and free up staff to focus on other objectives. More important, bank management should maintain a commensurate change management program to mitigate any compliance or risk management gaps that may arise from the use of the new operational technology.

The paper also discusses key partnership considerations when a bank is pursuing technology innovation. Based on the discussions with outreach participants, these individuals identified a few common elements of effective partnerships, including a commitment to innovation that spans the organization, an alignment of priorities and objectives between a fintech and bank, and a careful approach to connectivity. The paper's observations are intended to provide context for community banks considering fintech partnerships. These observations do not represent the only path for improving access to innovative financial technologies, nor does the paper represent any new supervisory expectations. With appropriate risk management and compliance guardrails, a bank–fintech partnership could present a notable opportunity for community banks to strengthen existing

¹ The paper is available at www.federalreserve.gov/publications/community-bank-access-to-innovation-through-partnerships.htm.

Considerations for Effective Partnerships



Three major themes emerged from the Federal Reserve's outreach effort to community banks and fintechs.

Source: Board of Governors of the Federal Reserve System, *Community Bank Access to Innovation Through Partnerships*, September 2021, page 9

operations, particularly when the partnership serves the unique strategic objectives of both parties.

Conducting Due Diligence on Financial Technology Companies: A Guide for Community Banks

On August 27, 2021, the federal banking agencies published a guide intended to help community banks assess risks related to third parties when considering relationships with fintech companies.² The agencies issued the guide in recognition that community banks are

entering into fintech partnerships to offer enhanced products and services to their customers and to increase efficiency and reduce their operating costs. This guide, which includes six key due diligence areas, is intended to aid community banks as they conduct due diligence on prospective fintech partners. Use of this guide is optional and does not create any new supervisory expectations. A community bank can tailor its use of the guide based on its specific circumstances and business activities. Further, the guide addresses the potential risks posed by each third-party relationship and the related product or activity offered by the fintech company. ■

² The guide is available at www.federalreserve.gov/publications/conducting-due-diligence-on-financial-technology-firms.htm.



Supervision Central

SUPERVISION CENTRAL IS HERE

www.supervisioncentral.org

Effective supervision relies on strong collaboration between banking agencies and supervised institutions. Over the years, a growing need for better ways to exchange data outpaced the technology used for supervisory activities. To address this need, the Federal Reserve launched Supervision Central in June 2021. Supervision Central is a centralized tool to facilitate secure data intake, sharing, and collaboration among supervisory staff, bank staff, and other agencies' staff for safety and soundness and consumer compliance activities at community and regional banking organizations supervised by the Federal Reserve.

Supervision Central is designed to reduce regulatory burden for supervised institutions by providing an easy way to submit documents and information to the Federal Reserve. Data submitted will be reusable across examinations with the goal of reducing the volume of duplicate information requests from the Federal Reserve by making documents previously provided more readily available to supervisory staff. Also, supervised institutions will no longer need to submit the same documents to

multiple banking agencies for joint examinations and other supervisory activities because the agencies will be accessing the same documents.

The first phase of Supervision Central laid the foundation by replacing the legacy technology used for supervisory events and ongoing supervision. New features that provide value to all users have been added since the launch and will continue to be added based on user feedback. Your continued feedback on Supervision Central is welcome. If you have comments or questions on Supervision Central, please contact your central point of contact or the examiner-in-charge of your supervisory event. In the future, you will be able to submit your feedback directly to supervisory staff.

The Supervision Central help site contains useful resources to better understand the functionality available, including recordings of live training sessions that were offered in June 2021. You can access the help site by visiting www.supervisioncentral.org.

2021 Writers' Cohort

The *Community Banking Connections* Writers' Cohort has undergone many changes since the last issue.

After serving as cochairs of the Writers' Cohort for the past two years, **Ben Clem**, senior manager, Supervision, Regulation, and Credit, FRB Richmond, and **Jennifer Grier**, senior examiner, Supervision, Regulation, and Credit, FRB Atlanta, are stepping back into roles as primarily writers. The *CBC* advisory board and editorial staff thank them for their dedicated service and time commitment to the publication. They provided invaluable guidance to the cohort members, which has been especially important during these unprecedented times.

Kerri Allen, examiner, Examinations & Inspections, FRB Kansas City, is stepping into the chair role. *CBC* Advisory Board Member **J.M. Nemish**, senior examiner, Supervision, Regulation, and Credit, FRB Richmond, will serve as a liaison between the cohort and the advisory board. We are looking forward to their collaborative efforts in working with the cohort members.

A few months ago, the *CBC* advisory board announced that additional writers were needed to join the Writers' Cohort. Candidates were asked to submit essays. Based on those essays, six applicants were selected to join the cohort:

- **Stacy Barilla**, Examiner, IT Examinations – CBO & Service Providers, Supervision, Regulation, and Credit, FRB Philadelphia
- **Raymond Bolton**, Senior Assistant CRSB Examiner, Community Banking Organization, Supervision and Regulation, FRB Chicago
- **Miles Green**, Senior Examiner, Community and Regional Safety, Supervision, Regulation, and Credit, FRB Richmond
- **Grace Horn**, Examiner, Safety and Soundness – CBO, Banking Supervision, FRB Dallas
- **Jessica Olayvar**, Analyst – Supervision – Int, Community and Regional Safety, Supervision, Regulation, and Credit, FRB Richmond
- **Carla Thomas**, Examiner, Regional, Community and Foreign Supervision, Supervision + Credit, FRB San Francisco

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Best Wishes to *CBC* Advisory Board Member and Writers' Cohort Mentor

Lauren Ware, assistant vice president, Supervision, Regulation, and Credit, FRB Richmond, who has served on the *CBC* advisory board since its inception and has been a mentor to the writers, will be retiring at the end of the year after 34 years with the Federal Reserve System. We thank Lauren for her unfaltering service and dedication and wish her well.

Meet a Cohort Member

In this issue, William Mark discusses a range of topics — from his role as bank examiner to his passion for public speaking and traditional Chinese dance — and how his background in aerospace engineering has served him well at the Fed.

William Mark

Lead Examiner, Supervision and Regulation, FRB Chicago



How long have you been with the Fed? What brought you here?

I've been at the Federal Reserve Bank of Chicago for over 25 years. Prior to working at the Fed, I served as an internal auditor at community banking organizations and secured an M.B.A. from Loyola University of Chicago. Serving as an internal auditor provided me with an appreciation for the essential value of the independent perspective and respect for the professional and competent bank examiners I encountered. The M.B.A. set my foundation of critical thinking through understanding of management philosophies and strategies. Becoming a Federal Reserve examiner seemed a logical next step to best leverage my skills, experience, and education. When the opportunity to interview at the Fed arose, I took it and never looked back.

What activities are you most passionate about?

Because my five siblings and I grew up as immigrants in the United States, my parents really wanted us to assimilate. Since then, I have tried to reconnect with

my Chinese culture and arrive at a happy medium. I've integrated my tendency for whimsy with my culture to create bowling shirts for my family, shown in the photograph. I am pointing to a play on my last name (along with the Chinese character for my surname), "Mark of Excellence."

Through my wife, Ling Ling, a gifted professional dancer, choreographer, and instructor, I've developed a real appreciation for traditional Chinese dance. While serving as her business manager and administrative support when I am not working at the Fed, I've had a bird's-eye view to appreciate the artistry and creativity of her choreography. Along the way, I've developed a critical eye for the techniques, served as an emcee at performances, and even capably performed with her troupe on occasion (I told you she was a gifted choreographer!).

If you weren't working at the Fed, what would be your other career choice?

I would be a corporate trainer. Several years ago, I led the Federal Reserve System's Private Equity Merchant Banking Knowledge Center, which included organizing and presenting at an annual private equity industry conference, providing related examiner training seminars, and creating distance learning podcasts. My current role as a lead examiner involves knowledge transfer and motivating learners through writing and speaking. All these experiences demonstrate an affinity for this type of calling.

I have always had a passion for the written word, which was sparked during my early school years. When I would arrive at a new school, teachers assumed that I needed to be in the Teaching English as a Second Language program because of the way I looked, although I was educated entirely in the U.S. These erroneous assumptions inspired me to find my own voice. This passion is the motivation that led me to be a member of the Writers' Cohort.

Interestingly, one of my recent articles (Second Issue 2021), on management succession planning, led to organizing, facilitating, and delivering (with my coauthors) a related Ask the Fed podcast (July 28, 2021) to a national audience.

“Overall, my mantra for each medium is ‘words matter.’ Therefore, I strive for the best word or phrase in any situation, medium, or venue to convey the proper message and facilitate the educational process.”

My passion for conducting presentations arose from a childhood fear of public speaking. Through dedicated effort in content development and preparation, I have mostly overcome this anxiety. I focus on tailoring my presentations to the topic and target audience and infusing them with context, humor, and an element of

storytelling. This year, I was honored to conduct diversity, equity, and inclusion presentations on my take on the Asian American experience to raise awareness and contextual understanding of recently publicized events of violence and other instances of xenophobic bias against the Asian American and Pacific Islander community.

Overall, my mantra for each medium is “words matter.” Therefore, I strive for the best word or phrase in any situation, medium, or venue to convey the proper message and facilitate the educational process.

Tell us something we don’t know about you but that you would like us to know.

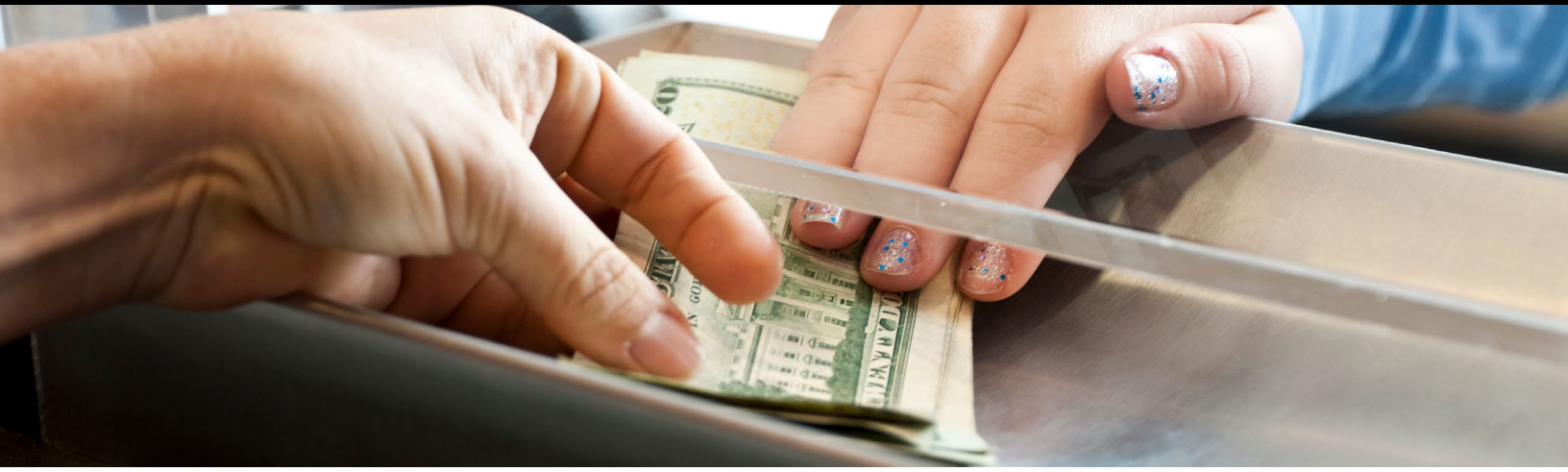
My undergraduate degree, from the University of Illinois, is in aerospace engineering, as I was enamored with the prospect of contributing to the optimism of space travel. Unfortunately, despite my best efforts, I was unable to secure employment with the space program or related industries. Still, this “uplifting” background has allowed me to bring a different perspective in analytical thinking and problem-solving to the table as well as provided me with a unique way to introduce myself.

In the course of an examination or project, I typically hear the comment “this isn’t rocket science.” While you don’t need to be a rocket scientist to have success as a bank examiner — it doesn’t hurt. I know from experience! ■

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In addition, several original members will continue to serve on the cohort:

- **William Mark**, Lead Examiner, Supervision and Regulation, FRB Chicago
- **Kalyn Neal**, Examiner/Supervisory Specialist, Examinations & Inspections, FRB Kansas City
- **Alex Shelton**, Portfolio Central Point of Contact/Senior Examiner, Supervision, Regulation, and Credit, FRB Richmond
- **Scott Zurborg**, Senior Large Bank Examiner, Supervision and Regulation, FRB Chicago



The U.S. Currency Education Program's Teller Toolkit Now Available on uscurrency.gov

The U.S. Currency Education Program

The U.S. Currency Education Program is responsible for ensuring that users of U.S. currency around the world have access to education, training, and information about Federal Reserve notes. Managed by the Federal Reserve Board, the U.S. Currency Education Program works closely with government partners at the U.S. Secret Service and the U.S. Department of the Treasury's Bureau of Engraving and Printing to raise awareness about how to use the design and security features on U.S. currency.

The U.S. Currency Education Program provides free educational resources and support services to inform institutions, businesses, and consumers about the security and design features in Federal Reserve notes.

Overview of the Teller Toolkit

Launched in July 2021, the Teller Toolkit is a comprehensive training guide for bank tellers who need to know how to authenticate Federal Reserve notes. It was created to help tellers quickly spot counterfeit currency, to protect businesses from loss of revenue, and to emphasize the importance of following company counterfeit-reporting policies.

The Teller Toolkit provides detailed information about the security and design features of \$100, \$50, \$20, \$10, and \$5 notes. From the kit, bank tellers can download a quick reference PDF file that they can place in their workspaces. In addition to providing currency authentication tips, the Teller Toolkit directs bank tellers to the U.S. Currency Education Program's other online training materials for more guidance.



The note should feel slightly rough to the touch.



Hold the note to the light to check that the watermark and security threads are visible from the front and back.



Tips to Help Spot Counterfeit Notes

Take a quick glance at the currency:

- If it has foreign writing on it, it could be fake.
- If it has “For Motion Picture Use Only” or the word “Replica” on it, it could be fake.

Feel the paper: It should feel slightly rough to the touch because of the printing process and the unique composition of the paper.

Tilt the note: In tilting the note, you should be able to see the ink in the numbers on the lower right corner change color. On the current style of notes, the color should change from copper to green.

- Color-shifting ink appears on denominations \$10 and higher.
- The current style \$100 note includes two advanced security features: a color-shifting bell in the inkwell and a 3-D Security Ribbon. The 3-D Security Ribbon contains images of bells and 100s that shift as the note is tilted.

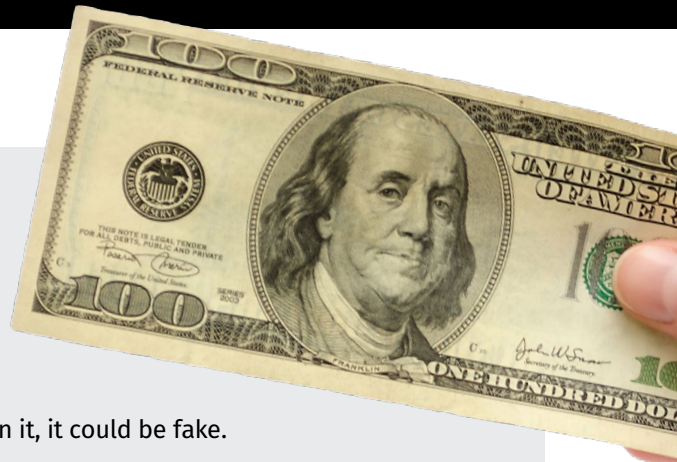
Check with light: Hold the note to the light to check that the watermark and security threads are visible from the front and back of the note.

- The security thread is in a different location on each denomination \$5 and higher.
- The watermarks on the \$10, \$20, \$50, and \$100 notes should match the portrait on the front of the note. The \$5 note has numeral 5 watermarks.

The best way to determine whether a note is genuine is to rely on its security features. A bank teller who suspects a note is counterfeit should follow the organization’s counterfeit-reporting procedures before notifying the nearest U.S. Secret Service Field Office.



Visit [uscurrency.gov](https://www.uscurrency.gov) to download the Teller Toolkit today.



Tilt the note: The color should change from copper to green.

D.C. UPDATES

D.C. Updates features highlights of regulatory and policy actions taken by the Federal Reserve since the last issue as well as a listing of speeches and congressional testimonies of the Federal Reserve Board members that may be of interest to community bankers. For a list of Federal Reserve or interagency rulemakings and statements related to the pandemic, visit the Federal Reserve's COVID-19 Resources page, available at www.federalreserve.gov/covid-19.htm.

ACTIONS

Actions Related to Safety and Soundness Policy

Final Rule Requiring Computer-Security Incident

Notification: The Federal Reserve Board and the other federal bank regulatory agencies approved a final rule to improve the sharing of information about cyber incidents that may affect the U.S. banking system. The rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the organization determines that a cyber incident has occurred. Further, it requires a bank service provider to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect its customers for four or more hours. Compliance with this rule is required by May 1, 2022. The November 18, 2021, press release is available at www.federalreserve.gov/newsevents/pressreleases/bcreg20211118a.htm.

Federal Reserve paper on community bank-fintech

partnerships: On September 9, 2021, the Federal Reserve Board published a paper describing the landscape of partnerships between community banks and fintech companies. The paper is intended to serve as a resource for community banks seeking to access innovation through partnerships with fintech companies. Therefore, the paper does not establish new guidance or interpret existing guidance. The paper is based on a series of conversations held by Federal Reserve staff with community banks, fintech companies, and other industry stakeholders and does not identify individual banks or companies. Supervision and Regulation (SR) letter 21-16/Consumer Affairs (CA) letter 21-13, "Community Bank Access to Innovation Through Partnerships," which includes a link to the paper, is available at www.federalreserve.gov/supervisionreg/srletters/SR2116.htm.

SPEECHES

Speeches Related to the U.S. Economy and Monetary Policy

Governor Michelle W. Bowman gave a speech at the Dykhouse Scholar Program Speakers Series in Money, Banking, and Regulation, South Dakota State University, Brookings, SD, on October 13, 2021. Her speech, titled "The View from Here: The Outlook for the U.S. Economy and Implications for Monetary Policy," is available at www.federalreserve.gov/newsevents/speech/bowman20211013a.htm.

Governor Lael Brainard gave a speech at Fed Listens: Roundtable with Oklahoma Tribal Leaders, Oklahoma City, on October 13, 2021. Her speech, titled "Financial Inclusion and Economic Challenges in the Shadow of the Pandemic: A Conversation with Tribal Leaders," is available at www.federalreserve.gov/newsevents/speech/brainard20211013a.htm.

Vice Chair Richard H. Clarida gave a speech at the 2021 Institute of International Finance Annual Membership Meeting: Sustainable Economic Growth and Financial Stability in a Diverging, Decarbonizing, Digitizing, Indebted World, Washington, D.C., (via webcast) on October 12, 2021. His speech, titled "U.S. Economic Outlook and Monetary Policy," is available at www.federalreserve.gov/newsevents/speech/clarida20211012a.htm.

Governor Lael Brainard gave a speech at the 2021 Federal Reserve Stress Testing Research Conference, Federal Reserve Bank of Boston, (via webcast) on October 7, 2021. Her speech, titled "Building Climate Scenario Analysis on the Foundations of Economic Research," is available at www.federalreserve.gov/newsevents/speech/brainard20211007a.htm.

Governor Lael Brainard gave a speech at “Shocks, Shifts, and the Emerging Economic Landscape,” the 2021 Annual Meeting of the National Association for Business Economics, Arlington, VA, on September 27, 2021. Her speech, titled “Navigating Delta Headwinds on the Path to a Full Recovery,” is available at www.federalreserve.gov/newsevents/speech/brainard20210927a.htm.

Chair Jerome H. Powell gave introductory remarks at “Fed Listens: Perspectives on the Pandemic Recovery,” sponsored by the Board of Governors of the Federal Reserve System, Washington, D.C., (via webcast) on September 24, 2021. His remarks are available at www.federalreserve.gov/newsevents/speech/powell20210924a.htm.

Chair Jerome H. Powell gave a speech at the “Macroeconomic Policy in an Uneven Economy,” economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, WY, (via webcast) on August 27, 2021. His speech, titled “Monetary Policy in the Time of COVID,” is available at www.federalreserve.gov/newsevents/speech/powell20210827a.htm.

Vice Chair Richard H. Clarida gave a speech at the Peterson Institute for International Economics, Washington, D.C., (via webcast) on August 4, 2021. His speech, titled “Outlooks, Outcomes, and Prospects for U.S. Monetary Policy,” is available at www.federalreserve.gov/newsevents/speech/clarida20210804a.htm.

Governor Michelle W. Bowman gave welcoming remarks at “Toward an Inclusive Recovery: Improving Labor Force Attachment and Financial Security Among Low-Income and Marginalized Workers,” a research seminar sponsored by the Board of Governors of the Federal Reserve System, Washington, D.C., (via webcast) on August 3, 2021. Her remarks are available at www.federalreserve.gov/newsevents/speech/bowman20210803a.htm.

Speeches Related to Supervision and Regulation

Vice Chair of Supervision Randal K. Quarles gave a speech at The Structured Finance Association Conference, Las Vegas, on October 5, 2021. His speech, titled “Goodbye to All That: The End of LIBOR,” is available at www.federalreserve.gov/newsevents/speech/quarles20211005a.htm.

Governor Michelle W. Bowman gave a speech at the Community Banking in the 21st Century research and policy conference, St. Louis, (virtual conference) on September 28, 2021. Her speech, titled “Creating a New Model for the Future of Supervision,” is available at www.federalreserve.gov/newsevents/speech/bowman20210928a.htm.

Speeches Related to Innovation and Payment Systems

Governor Michelle W. Bowman gave a speech at the Government Relations Council meeting sponsored by The American Bankers Association, Washington, D.C., (virtual conference) on September 9, 2021. Her speech, titled “Community Bank Access to Innovation,” is available at www.federalreserve.gov/newsevents/speech/bowman20210909a.htm.

Governor Christopher J. Waller gave a speech at the American Enterprise Institute, Washington, D.C., (via webcast) on August 5, 2021. His speech, titled “CBDC: A Solution in Search of a Problem?,” is available at www.federalreserve.gov/newsevents/speech/waller20210805a.htm.

Other Speeches

Chair Jerome H. Powell gave welcoming remarks at Conversation with the Chair: A Virtual Teacher and Student Town Hall Meeting, Washington, D.C., (via webcast) on August 17, 2021. His remarks are available at www.federalreserve.gov/newsevents/speech/powell20210817a.htm.

TESTIMONIES

Chair Jerome H. Powell testified on the Coronavirus and CARES Act before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C., on September 28, 2021. Chair Powell submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., on September 30, 2021. The testimony is available at www.federalreserve.gov/newsevents/testimony/powell20210928a.htm.



Connect with Us

What banking topics are most relevant to you? What aspects of the supervisory process or the rules and guidance that apply to community banks would you like to see clarified? What topics would you like to see covered in upcoming issues of *Community Banking Connections*?

With each issue of *Community Banking Connections*, we aim to highlight the supervisory and regulatory matters that affect you and your banking institution the most, providing examples from the field, explanations of supervisory policies and guidance, and more. We encourage you to contact us with any ideas for articles so that we can continue to provide you with topical and valuable information.

Direct any comments and suggestions to editor@communitybankingconnections.org.



Scan with your smartphone or tablet to access Community Banking Connections online.