

Fed Summit Bolsters Confidence of Community Bankers — for Now

by [Paul Davis](#)

OCT 4, 2013 2:25pm ET

ST. LOUIS — The Federal Reserve seems to have succeeded in raising bankers' spirits in St. Louis.

Attendees of the Fed's inaugural conference dedicated to research on community banks said they were pleased with the findings of the dozen papers presented Wednesday and Thursday. Some offered rays of hope, and others bolstered community bankers' cries for help.

Small banks are integral to their communities but are under siege from intense competition and stringent regulation, academics said in data-packed papers. Regulators indicated that they were paying attention to these issues, which was also heartening for bankers.

"This is a real opportunity for community bankers, including myself, to have a direct line with our regulators," said Curt Hecker, the president and chief executive of Intermountain Community Bancorp (IMCB) in Sandpoint, Idaho. "There's collaboration here. I want to be able to take that confidence and energy back home with me."

The Fed invited about 150 guests, equally divided among bankers, state regulators and academics. The objective was to generate discussion with some hope of meaningful improvement in how smaller institutions are supervised.

A number of regulators said they are hopeful for change, too. "I've been a regulator for 40 years," said Ray Grace, the banking commissioner for North Carolina. "The last several years have challenged my optimism, but I hope we can build some momentum here."

Those sentiments were echoed by Charles Vice, banking commissioner for Kentucky and chairman of the Conference of State Bank Supervisors. "This conference has given me a lot of energy and enthusiasm, along with things to discuss with my bankers," he said.

[Fed Chairman Ben Bernanke](#) and [Fed Gov. Jerome Powell](#) gave empathetic speeches.

Still, bankers were acutely aware as they headed home that real and immediate challenges exist. Many of those were highlighted in the academic work presented at the conference.

Researchers quantified how [standardization of financial products restricts credit](#), while showing that [social capital](#) — the increased level of trust and interconnectedness between businesses and customers that often exists in small communities — matters in lending. Bankers also discussed the intense competition they endure for talent and customers, with those challenges coming from banks of all sizes.

"If you put a great team together, you run the risk of those employees being poached," Claire Tucker, the president and CEO of CapStar Bank in Nashville, Tenn., said during a Thursday panel of community bank leaders.

A lack of lending opportunities frustrates lenders in rural markets. "I'm sitting on \$185 million in securities," Bobby Martin, the chairman of Peoples Bank in Ripley, Miss., said during the same banker panel. "We want to loan it out, but people aren't borrowing."

Other panelists discussed ways they have cut costs. Settlers Bank in Windsor, Wis., went paperless a few year ago and only has 14 employees, Tom Spitz, the bank's CEO said. Other \$100 million-asset banks average twice as many employees.

"This conference was such a unique convergence of parties that have a direct impact on my institution," said Dorothy Savarese, the chairman and CEO of Cape Cod Five Cents Savings Bank in Orleans, Mass. "The question is whether it will bring substantive change."

A St. Louis Fed official reiterated that regulators are listening.

"Our eyes are wide open," Julie Stackhouse, head of supervision at the St. Louis Fed, said in reference to the conference and a series of town hall meetings held earlier this year with bankers.

"I learned that there is a need for community banks," Stackhouse said. "Maybe that was one of the things that so many of us questioned, especially in light of a lot of the regulation that's been introduced in the last few years. It is clear that community banks ... meet lending needs that are often tailored to their communities."