

The Meeting of the Advisory Committee on Community Banking

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Washington, D.C.

Open to Public Observation via Webcast

May 2, 2024 - 9:00 A.M.

The meeting of the Federal Deposit Insurance Corporation (FDIC) Advisory Committee on Community Banking (Committee) was called to order by Martin J. Gruenberg, Chairman, FDIC Board of Directors.

Committee members in attendance: Thomas Bates, President and CEO, Legends Bank, Clarksville, Tennessee; Marlene Barkheimer, President & CEO, Farmers State Bank, West Salem, Ohio; Heidi Brown, Executive Vice President, Citizens State Bank, Sheldon, Iowa; Carolyn Crockett, President & Chief Credit Officer, First Security Bank of Nevada, Las Vegas, Nevada; Michael Culhane, President & CEO, North Cambridge Co-Operative Bank, Cambridge, Massachusetts; Lloyd DeVaux, President & CEO, Sunstate Bank, Miami, Florida; Anita Drentlaw, President & CEO, New Market Bank, New Market, Minnesota; Susan Horton, President, CEO, & Chairman of the Board, Wheatland Bank, Spokane, Washington; Warren Huang, General Counsel, Amerasia Bank, Flushing, New York; Robert James II, Executive Vice President, Carver State Bank, Savannah, Georgia; Trey Maust, Executive Chairman, Lewis & Clark Bank, Oregon City, Oregon; Dominik Mjartan, President & CEO, OPTUS Bank, Columbia, South Carolina; Norman Plumstead, President & CEO, Honor Bank, Honor, Michigan; Kim Reigelsberger, President, Preferred Bank, Rothville, Missouri; Troy Richards, President, Guaranty Bank & Trust Company, Delhi, Louisiana; Lillous Ann Shoemaker, President, Magnolia State Bank, Bay Springs, Mississippi.

Committee members absent from the meeting: Troy Campbell, President, Altoona First Savings Bank, Altoona, Pennsylvania; April Perry, CEO & Chairman of the Board, Kentucky Farmers Bank Corporation, Ashland, Kentucky.

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FDIC Vice Chairman Travis J. Hill also attended the meeting.

FDIC staff in attendance: William L. Amos, Lisa D. Arquette, Michael B. Benardo; Kendra A. Berch, Tawanta L. Brinson, Jereon M. Brown, Luke H. Brown, Wantina (Renee) Cash, Kelly I. Davis, Angela Dean, Doreen R. Eberley, Keith L. Edens, G. Chris Finnegan, Jennifer Fain, Shannon N. Greco, Brian E. Guy, Chantal Hernandez, Edward J. Hof, Hina Z. Hussain, Andy A. Jiminez, Elna M. Johns, Kathy Kalser, Gary Linihan, Thomas F. Lyons, Daniel Marcotte, Lloyd E. McIntyre, Jonathan N. Miller, Jeremy S. Myers, Jhon E. Ochoa Espita, Elizabeth Ortiz, Krishna K. Patel, Mark E. Pearce, Nikita Pearson, James K. Presley-Nelson, Ariana L. Rambuyan, Lisa K. Roy, Betty J. Rudolph, Camille C. Schmidt, Michael E. Shaheen, James P. Sheesley, Nefretete A. Smith, Tyler A. Smith, Jay Snipes, Brian T. Whittaker, Meron Wondwosen, Clarice A. Young.

Chairman Gruenberg opened the meeting and presided over the proceedings. Nikita Pearson, Deputy to the Chairman for External Affairs and Director, Office of Minority and Women Inclusion (OMWI), moderated the proceedings.

Introductory Remarks

Chairman Gruenberg began by welcoming everyone and introducing the following new Committee members:

- Marlene Barkheimer, Farmers State Bank, West Salem, Ohio;
- Heidi Brown, Citizens State Bank, Sheldon, Iowa;
- Carolyn Crockett, First Security Bank of Nevada, Las Vegas, Nevada;
- Lloyd DeVaux, Sunstate Bank, Miami, Florida; and
- Norman Plumstead, Honor Bank, Honor, Michigan.

Chairman Gruenberg noted that he looked forward to hearing the Committee members' feedback. He acknowledged Vice Chairman Hill, who also welcomed everyone, expressing that he too was looking forward to hearing the perspectives of the Committee members. Chairman Gruenberg then recognized Ms. Pearson to proceed with moderating the program.

Discussion of Banking Sector Risks

Ms. Pearson introduced Camille Schmidt, Section Chief, Division of Risk Management Supervision (RMS); Kathy Kalser,

Assistant Director, Division of Insurance and Research (DIR); Krishna Patel, Section Chief, DIR, and James Presley-Nelson, Acting Section Chief, DIR to provide an overview of banking sector risks with particular emphasis on the 2024 Risk Review, banking conditions, liquidity and investment securities, and credit risk.

FDIC staff invited members to provide their thoughts on these topics and share any other risks and areas of concern to the bankers during the briefing.

Member James noted that depositors have begun demanding higher interest rates. Member Horton mentioned the shift from noninterest bearing to interest bearing deposits. Many members commented on the increased competition for deposits, and other members also noted increasing rates and competition for public funds. Members DeVaux and James discussed that larger banks had not made deposits into minority depository institutions (MDIs) at concessionary rates.

Member Maust discussed the perception of safety at larger institutions. Members Maust and Horton inquired about FDIC deposit insurance reform. Chairman Gruenberg responded that any changes to deposit insurance would require Congressional action.

Members also discussed the current structure of their investment portfolios, with several members noting depreciation in their institutions' portfolios. Members also stated that the contingency funding plans of their institutions are being tested.

Several members expressed dissatisfaction with the process for opening a line at the Federal Reserve discount window, noting the difficulty and time it took to complete the process. Member Shoemaker noted that she had a positive experience with the discount window.

At the conclusion of this portion of the discussion, Ms. Pearson called for a short recess at 9:59 a.m. The meeting resumed at 10:15 a.m.

Discussion of Banking Sector Risks (Continued)

Many members noted low delinquency rates in their institutions' loan portfolios and the strengths of their respective markets. Members DeVaux, Plumstead, and Mjartan discussed population growth to their areas, which has helped

bolster lending opportunities. Members Horton, Richards, and Huang also commented on multi-family construction and rental markets in their areas.

Members also discussed loan maturities and higher rate resets, stating that their institutions are working with their borrowers and negotiating rates and terms. Members DeVaux, Shoemaker, and Richards also mentioned rising insurance costs that impact their institutions' borrowers. Several members also mentioned housing shortages in their market areas.

Members Reigelsberger, Richards, and Mjartan discussed various scams perpetrated against bank customers and the resulting losses that were incurred.

Financial Institution Diversity Self-Assessment Program

Ms. Pearson introduced Jay Snipes, Section Chief, Office of Minority and Women Inclusion, to provide a briefing on the Financial Institution Diversity Self-Assessment (FID-SA) Program. Mr. Snipes discussed the value of banks understanding their diversity, equity, inclusion, and accessibility landscapes and provided some statistics. He also discussed the FID-SA portal, including how banks can access the portal and technical assistance offered by the FDIC.

Following his presentation, Mr. Snipes invited members to provide their feedback and ask questions about the FID-SA.

Members followed up by stating their understanding of the value of the assessment, but that the assessment adds an additional commitment of time and resources to complete. Member Drentlaw suggested having the list of questions available as well as the estimated time to complete the assessment. Member Maust suggested having a high-level assessment available to promote engagement as well as a process that would allow banks to benchmark against their peers. Members suggested that the FDIC work to increase awareness of the program.

Update from the Minority Depository Institutions Subcommittee

Ms. Pearson then recognized Betty Rudolph, National Director, Office of Minority and Community Development Banking; and Committee Member Warren Huang, General Counsel, Amerasia Bank and a member of the Minority Depository Institutions (MDI) Subcommittee, to provide an overview of the MDI Subcommittee and

a summary update of its recent meeting held the prior day, May 1, 2024.

Ms. Rudolph began by providing background information about the purpose, goals, and composition of the MDI Subcommittee.

Member Huang conveyed that the MDI Subcommittee had no current recommendations for the Committee. He then provided a summary of the discussion topics from the MDI Subcommittee meeting.

At the conclusion of this report, the meeting stood in recess for lunch from 11:34 a.m. to 1:05 p.m.

Supervision and Policy Updates

The proceedings resumed with Ms. Pearson recognizing Thomas Lyons, Associate Director, RMS; Lisa Arquette, Deputy Director, RMS; Michael Benardo, Associate Director, RMS; and Lloyd McIntyre, Examination Specialist (Fraud), RMS, to begin the briefing on various supervision and policy matters and updates.

Mr. Lyons began by covering the interagency effort to reduce regulatory burden, guidance on managing commercial real estate concentrations, and proposed revisions to the Statement of Policy on Bank Merger Transactions.

Member Shoemaker commented on mergers between credit unions and banks, citing specifically Community Reinvestment Act (CRA) requirements. Mark Pearce, Director, Division of Depositor and Consumer Protection (DCP), noted that under the Bank Merger Act, credit unions are considered non-insured institutions and are required to meet the same statutory requirements relative to convenience and needs of the community.

Member Maust asked about the process for approval and the time involved. Mr. Lyons stated that the time involved depends upon the completeness of applications and the complexity of the transaction.

Ms. Arquette then discussed the customer identification program and changes to beneficial ownership collection. Ms. Arquette discussed the Financial Crimes Enforcement Network's (FinCEN) Beneficial Ownership Information (BOI) registry.

Member DeVaux asked how customers were being made aware of the BOI registry. Ms. Arquette described FinCEN's information

campaign and how banks can play a role in making businesses aware of the BOI registry. Member Richards opined that the BOI registry might result in accounts for new customers taking longer to open. Member DeVaux noted that the BOI registry could also result in multiple banks no longer needing to complete the same process to verify beneficial ownership. Other members noted concerns about their business customer base completing the BOI registry, and they suggested that FinCEN conduct further outreach to ensure customer awareness of the registry.

Mr. Benardo and Mr. McIntyre presented information on check fraud. Members DeVaux and Richards commented on the interaction between large banks and community banks in trying to resolve check fraud issues. Member Brown mentioned the cost associated with check fraud protection technologies. Member Richards also offered several suggestions, including working with the Federal Reserve to extend the return deadline on altered and counterfeit checks. Members also discussed accountability, including personal responsibility of customers as well as what losses banks should incur.

Ms. Pearson then introduced Luke Brown, Associate Director, DCP; Meron Wondwosen, Assistant Director, DCP; Edward Hof, Senior Policy Analyst, DCP; and Chantal Hernandez, Counsel, Legal Division to discuss the final rule for FDIC official signs, advertising statements, false advertisements, misrepresentations of insured status, and misuse of the FDIC's name or logo.

Members Plumstead and James asked about FDIC communications with core providers about digital signage requirements. Mr. Brown responded that the FDIC has spoken with several providers, and that communications are ongoing. Member Maust shared that he believes these changes are good because of confusion in the market. Member James asked about repercussions to non-bank entities that fail to comply with the final rule.

Closing Remarks

Chairman Gruenberg thanked the Committee Members and recognized the benefit the FDIC gains from their feedback. He also thanked the staff presenters; the moderator, Nikita Pearson; and the staff who helped set up the event.

There being no further business, Chairman Gruenberg adjourned the meeting at 3:02 p.m.

Debra A. Decker
Federal Deposit Insurance Corporation
Executive Secretary
and Committee Management Officer
FDIC Advisory Committee on Community Banking

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I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

Martin J. Gruenberg
Chairman
Board of Directors
Federal Deposit Insurance Corporation