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Los Angeles Branch of The Federal Reserve Bank of San Francisco

Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) Outreach Meeting

Tuesday, December 2, 2014

Federal Reserve Bank of San Francisco - Los Angeles Branch
950 South Grand Avenue
Los Angeles, California 90015

9:00 a.m. PST

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[Meeting commences at 9:08 a.m. PST]

9:00 A.M. – WELCOME AND OPENING REMARKS

>> KAY KOWITT: Good morning. I'm Kay Kowitt the Deputy Comptroller of the Western District Office of the Comptroller of the Currency.

And it's my pleasure to welcome those of you who are here with us in Los Angeles as well as those on the webcast to the first outreach meeting addressing the Economic Growth

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and Regulatory Paperwork Reduction Act of 1996 -- which is more commonly referred to as EGRPRA.

It directs the OCC the FDIC and along with the Federal institutions examination council to conduct a review our regulations at least every ten years to identify those that are outdated unnecessary or unduly burdensome. In conduct this review, the agencies are required to categorize the regulations by type, and solicit public comment on each of the categories. At the end of the review, we will publish a summary of the comments received and submit a report to Congress.

In addition, EGRPRA specifically directs the agencies to -- to the extent that such action is appropriate. On June 4th, the agencies publish the First Federal ask for public comment on three categories of regulations those three categories will be the primary focus of our meeting today.

And over the next 18 months we will seek commented on the remaining categories.

This forum is the first in a series of at least five outreach meetings that will provide an opportunity for bankers, consumer and community groups, and other interested parties to present their views directly to senior management and staff of the agencies.

We also expect to have at least one outreach meeting for rural bankers.

The fact is that Comptroller Chairman Gruenberg, and Lael Brainard are all here today gives you a -- collective other desire to find real solutions to the regulatory challenges facing the institutions we supervise.

In terms of the agenda for today we'll have some brief opening remarks by Chairman Gruenberg, Comptroller Curry, Governor Brainard and Commissioner Owen and consumer and community group panel and then after the panel we will give audience members an opportunity to provide additional input.

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So with that as backgrounds I'd like to introduce our first speaker, Tom Curry who was sworn in as the 30TH Comptroller of the Currency on April 9, 2012.

Comptroller Curry has spent most of his career in banking supervision and regulation including serving as the state banking commissioner for mass commutes for years, as the chairman of the -- director of the FDIC, as Comptroller Commissioner Curry currently the Chairman of the Federal Financial Institutions Examination Council for a two-year term.

Comptroller Curry is also chairman of the Board of Neighbor Works America. I'll turn it over to you.

>> THOMAS J. CURRY: Thank you Kay. And I'd like to thank all of you for being here today for this first in a series of outreach meetings on the economic growth and Regulatory Paperwork Reduction Act or EGRPRA which is an incredible mouthful to remember.

It is intended to help us identify outdated or unnecessary regulations. And we are working on an entry interagency basis as well as the offices of the Federal financial institutions examination council or FFIEC which brings together the banking agencies, the national credit union administration and the state supervisory agencies.

Since April of 2013, I've had the privilege of chairing the FFIEC and I'm especially pleased that I held this position at the onset of this process.

We are increasingly using the FFIEC to provide support to community banks particularly in resource intensive areas like cyber security so I think it's fitting that this intra-agency body is playing a role in this process which is so important to our nation's community banks and thrifts.

Community banks and thrifts don't have the same kind of resources that large institutions can bring to bear on regulatory compliance.

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And each unnecessary rule we eliminate or streamline makes it much easier for them to serve the economic needs of their communities.

With this in mind, we expect to have an outreach meeting in 2015 that will focus on rural banks so that we can hear first-hand about their concerns and their ideas for reducing unnecessary regulatory burden in that segment of the community banks sphere. Of course, it's true that regulations by their nature carry at least some burden.

Most provide public benefits that outweigh the burden that they impose. What worries me is the way that the regulatory rule book builds up over time adding layer upon layer upon requirements that can be quite onerous for small banks. So we at the OCC are taking this process very seriously including today's session.

I'm very interested in hearing from the panelists and members of the audience about specific regulations that are outdated, unnecessary, or needlessly burdensome and ideas for areas of improvement.

If you don't get a chance to speak today I would encourage you to submit a written comment.

You can use one of the comment forms we have here or you can respond to one of the upcoming federal register notices. We will carefully consider all of the comments received today and a summary will be published on the regulations.gov website and will be included in our final report to Congress.

However I can promise many you that we at the OCC will not wait until the end of the process to make changes where a solid case has been made for reform.

If it is clear that a regulation is unduly burdensome and if we have the authority to make changes to eliminate that burden we will act.

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Many regulatory requirements are rooted in laws passed by Congress though and changes may require legislative action.

In those cases, we will work with Congress to remove unnecessary burden.

At the OCC we have three specific proposals to eliminate regulatory burden that we've discussed with law makers, and we are hopeful that Congress will act on them in the next legislative session.

First, as Toney Bland our head of mid-size and community bank supervision program said in senate testimony this fall we think that a greater number of healthy well-managed community institutions ought to qualify for the 18-month examination cycle.

By raising the assets threshold from its current \$500 million in assets to \$750 million in assets, 300 additional banks and thrifts would qualify.

That would not only reduce the burden on those well-managed institutions, it would allow the Federal banking agencies to focus our supervisory resources on those banks and thrifts that may present capital, managerial or other issues of supervisory concern.

Another area that we think is right for congressional action is a community bank exemption from the volume consider rule, as federal governor summed as a recent congressional hearing this year.

We don't believe it is necessary to include smaller institutions under the Volcker Rule to realize congressional spent and we recommend exempting banks and thrifts with less than \$10 billion in assets.

The final proposal that we developed would provide federal savings associations with greater flexibility to expand their business model without changing their governance structure. It's important that federal savings associations like other businesses have the flexibility to adapt to changing economic and business environments in order to meet the

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needs of their communities and is they shouldn't have to bear the expense of changing charters in order to do so.

We recommend to authorizing a basic set of powers that both federal savings associations and National Banks can exercise regardless of their charter, so that savings associations can change business strategy without moving to a different charter.

I think these are meaningful steps which could help a greater number of smaller institutions but we have much work ahead of us.

I can tell you though, that all of us here are committed to making this process work and to do everything possible to eliminate unnecessary regulatory burden.

Thank you all for being with us here today, and I look forward to hearing from you throughout the program.

Thank you.

(Applause)

KAY KOWITT: Thank you our next speaker is Martin Gruenberg, prior to his appointment as Chairman Mr. Gruenberg serves as vice chairman and a member of the board of the FDIC.

Consider he has broad congressional experience in including serving as senior counsel to Senator Sarbanes on the -- playing an active role in major financial services legislation. In addition Mr. Gruenberg served as chairman of the Executive Council and International Association of Deposit Insurers for many years. Chairman Gruenberg.

>> MARTIN GRUENBERG: Since Tom came up here I figured I better come up also and I'd like to welcome you all.

This is a very important process that we're beginning today.

And I think it's fair to say and I think Kay pointed it out in her remarks the fact that Tom and Lael Brainard and I are here today is reflective of the priority that the three bank regulatory agencies place on this EGRPRA process and from my standpoint the core purpose here is for us to hear from bankers, community groups, consumer organizations, other interested parties, and get their input into how we can make the regulatory and supervisory process more effective, more efficient, less costly for bankers, consistent with our mission to protect safety and soundness and consumer protection as well.

I think that's the core challenge for us that we've laid out an ambitious program of outreach meetings around the country.

Of which this is the first.

And as was also indicated in addition to the meetings in Chicago and Dallas, Boston and Washington, we anticipate holding a session focusing on the issues impacting rural institutions.

So, it's an ambitious agenda I think reflective of the priority and attention that this is receiving from the agencies.

And I would note that in regard to the FDIC Tom made the point of not waiting until the process is concluded before taking actions that may be available to us as we identify issues to address.

And I think we also are going to try to take advantage of that opportunity, and I would mention to you that in the past couple of weeks, the FDIC based on comments we've received for the first notice of the EGRPRA process has taken two actions. First he would issue the guidance in the form of Q&As to aid applicants and to provide transparency to the application process. These Q&As address four distinct topics: Pre-filing meetings, processing timelines, initial capitalization and business plans.

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And, in addition, second, the FDIC issued new procedures that eliminate or reduce applications to reduce permissible activities organized as limited liability companies or LLCs and it is our intention to keep looking for ways to reduce or eliminate out dated or unnecessary requirements under the authority of the FDIC as we move forward with this review process.

So with that let me say a thank you to all of you for taking part in this session today. Thank all of the panelists to come here today and share their thoughts with us and I very much look forward to today's program. Thank you.

>> KAY KOWITT: Thank you, Chairman Gruenberg. Lael Brainard took office prior to her appointment she served as secretary and counselor to the Secretary of the Treasury. During this time she was the U.S. representative in the G-7 deputies and was a member of the financial stability board, economic advice.

>> LAEL BRAINARD: I'm delighted to be here this morning and want to welcome you on behalf of the Federal Reserve System and I want to thank you for taking the time to participate in this important dialogue and also thanks to my colleagues at the Federal Reserve Bank of San Francisco for providing the Los Angeles branch.

The Federal Reserve takes its mandate under the Paperwork Reduction Act seriously. I know it's shared by Comptroller Curry and Chairman Gruenberg who are here today. This review provides an important torrent for all of us to consider whether current regulations are well balanced and effective or outdated.

Public input is vital to alleviate undue burden. While conceived regulations are important for our banking system as well as for protection for consumers but unnecessary or ill crafted regulation drain bank resources and reduce the important services that depository institutions provide.

Requires input from you, in person meetings help us gather critical information that will help us understand how regulations affect not only the banking industries. They are also going to enable you to learn from each other and provide us with multiple perspectives on the complex issues that our regulations are intended to address.

You can elaborate on how to improve our regulations in more detailed that we may be able to cover here today. We recognize that they have very different models and manage different kinds of risks. As a result we have to tailor regulations to the unique aspect to each institution. Applying a one size fits all may provide a small benefit as a large cost. Of particular concern in this regards ensuring that our regulations are appropriately calibrated for smaller institutions. Because the largest institutions present the greatest risk of the financial system many of the regulation pass under the Dodd-Frank Act are specifically targeted at the big firms.

So we are working to tailor rules whenever possible to clearly differentiate expectations for different types of banks and reduce undue burden particularly on community banks. Tailor rules may be more challenging such as rules that provide transparency and fairness to consumers which are standards that have to apply throughout the financial system.

I should know before this hearing that the Dodd-Frank Act for many of the consumer laws and regulations for the Consumer Financial Protection Bureau is under a different schedule; however, the agencies that are represented here today retain writing. So, of course, we're very interesting in the comments to improve that regulation.

In addition to changes in the regulatory in the supervisory landscape, the banking industry has gone major change shifts in industry composition in depository and

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non-depository have changed the products as well as how they are accessed. We need to hear from you and how these industry changes have affected the regulations.

Let me say in concluding that we really do take your comments very seriously and we consider them very carefully as we coordinate to discuss and consider the appropriate action that is best likely to serve our evolving financial system in the interest of the consumers themselves.

Ultimately we anticipate that the result will be compiled in the report to Congress summarizing the issues raised and we look forward to your comments in compiling that report. Thank you and I look forward to hearing your comments.

>> KAY KOWITT: Thank you. Our last set of comments will be from Jan Lynn Owen. She served as commissioner of the California department of corporations. She has sector experience include leading a consulting business Washington Mutual and the California Mortgage Bankers Association. She was acting commissioner.

>> JAN LYNN OWEN: With that good morning and thank you for those of you who came out of California we're eternally grateful. It's my pleasure today to be with my regulatory counterparts leaders of the bank industry and prominent consumer advocates. Everybody here shares a common goal building and maintaining a solid regulatory structure that serves financial institutions and consumers.

This event today will help achieve that by providing the form to comment on a wide range of regulations proposed by my federal counterparts. I look forward to learning a lot today as the last speaker everyone always says your comments early so the rest of this goes out the window and I look forward to learning a lot. I think it's important that we're all here and you'd much rather start hearing from the panels than for me to say the rest of my speech. So I hope to have a lively dialogue. Thank you.

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9:30 A.M. – FIRST PANEL: BANKER DISCUSSION

>> KAY KOWITT: Thank you commissioner. So at this time we're going to move to our first panel which will cover applications and reporting international banking and banking operations. Jim Watkins.

I'm delighted to introduce where we're going to explore applications, reporting, powers and activities international banking issues and, of course, bank operations in general. These topics cover a great deal of ground for banks, bankers and bank regulatory. And to help assist us we are fortunate to have three experienced bankers that have extensive background in navigating regulatory and bank operations.

Let me first introduce our panel members Adriana M. Boeka, President & CEO of Americas United Bank in Glendale California. Providing a full range of business and personal banking services specializing in medium sized businesses.

Next is Ernest W. Hwang, President, Security California Bancorp and Vice Chairman of Security Bank of California. A \$6 million institution. Security Bank of California was founded in 2005 an office of full range of banking service in commercial bank activities.

Anita Robinson, President & CEO, Coast National Bank in San Luis Obispo. She has been recognized for her leadership and support of community development and educational opportunities. She was a past chairman of the California Bankers Association. Brief comments and biographies of our members are included in the handout information packages that were provided this morning.

Each panel will address issues and we will encourage any follow up or clarifying questions and after their initial we are hopeful to have enough opportunity to solicit comments from the audience. Adriana will start off, please.

>> ADRIANA M. BOEKA: Good morning. I appreciate the invitation to be here in front of the top listeners of the regulations. It's an honor. I tried to go to law school in the two weeks of notice that I had but I wasn't able to pull that off because really my topic is applications and navigating through the merger act and when you start reading you can really get overwhelmed with the language and try to read between words and interpretations which is really the heart of the laws. See, I'm already off script if I told you I would do that.

And it's very overwhelming. I decided to look at it based on the experience of having done many transactions over the years. I have been in the bank industry since 1969 and in the community bank industries since 1995 and since 1995 I did quite a few transactions where the merger act and all the laws that go through come into play.

In what I would not talk about the language and how to navigate through there but I will talk us through the actual impact when you put it into practice. I am very, very happy to hear that in the last two weeks already some action in that act has been taken. The FDIC posted clarifications and let me make some comments about reaction to those clarifications. The document that was acted on by the FDIC is called statement of policy so its own record and published and it has with it an attachment of questions and answers relating to applications for deposit insurance.

Applications for deposit insurance. And that is basically what a new bank applications, a de novo bank applications would have to do so it's applicable to new banks and it's also applicable to changing charters and wanting to go into depository transactions.

Not all of the financial institutions take deposits.

So if there is a need to take deposit and make that change then this is the act that will be applicable.

So the things that were clarified and -- I don't know that the actual -- and here's where law school maybe would have helped. I don't know if the real -- if the actual language under the Act needed to be changed or if we're clarifying procedures, practice, policy guidance -- I don't know if there are any other terms that go. But that is really what comes to the banks and we live under the effect of language and practice under all those headings is the same for banks large and small.

So I don't know what the clarifications that I cover in the Q&A were for but they were very, very needed.

During -- I don't think that we had that much confusions prior to the financial crisis. But during the financial crisis, if any bank just happened to have an applications, a new bank a de novo, I don't know if it was too many problems going on and we shouldn't deal with new banks coming into this horrible unfriendly financial conditions or what the theme was but all of a sudden the de novo period and the conditions as to the things that needed to be delivered were changed from a three-year situation to a seven-year situations where we would be called de novo.

So the first thing that was clarified in the Q&A is that the applications for a new bank only needs to have a three-year plan -- not seven-years but a three-year plan.

Very good, that's going back to traditional, so we -- that worked before and it should work now, in my opinion.

Then the other clarification, this one is a little bit not as clear and perfect because -- well I'll get into that. The next one touched on capital requirements and for how long.

And, the requirement and the clarification is that three-year plan needs to have a leverage ratio, tier 1 ratio to total assets of 8 percent, at least, a minimum.

Under I guess normal circumstances.

And normal would be decided by, again, procedures, inter-agencies, personalities and groups of regulatory.

So 8 percent and for three years, not 9% or 10 percent or 12 percent which were the numbers that were being worked with for during the crisis.

And not pre-funded for seven years as it appeared to be the perception of organizers and new banks trying to form -- so, thank you for the explanations.

I would suggest that after doing this Q&A clarifications that a lot of communications and feedback be received from the actual regional offices, all throughout -- because one thing is to from DC or headquarters to put it unclarified and the other thing is implemented as all of us have that issue.

The next -- so there is some work to be done still on that one.

The next clarifications that I thought was very, very good and I encourage everyone that is planning to have an application for either the de novo or anything else, is to use the pre-filing meetings concept is to open that line of communications and to get known by the regulatory agencies that have to have interaction.

Because without that it's very hard, not only to get an application handled but then to live with the regulatory body of many groups -- the examiners, first the ones that approve the applications and then the ones that have to come and check.

So begin working on establishing a relationship early on and they in the Q&A gave tips as to how to prepare to have those meetings.

So, take advantage and read and those were very good tips.

The next things that I saw in the clarifications and I was somewhat -- not disappointed that's a little bit too harsh but my reaction was not as positive as it could have been, was the timeline.

In trying to address timeline, too many -- it read a long preamble and then generally acted on four to six months after being deemed substantially complete.

I find in here so many comments to use judgment which is expected -- but it's just -- it's too; I would encourage this clarifications to be worked on a little bit more.

So I would say that the decision for a more restrictive -- and this is regulatory to announce to all of their staff but -- more restrictive, on shorter span period for a decision to approve or decline or return to the sender the application; thus, more reasonable than all of this ability to go out.

You know, when an application gets for de novo, I'm not talking about the other situations but for de novo and I haven't been involved in a -- I have been involved in nah couple, more than a couple.

I -- when the application is done and is delivered to the regulatory agencies, to the FDIC, that's not the beginning.

The group has been around and talking and planning and strategizing for so long that we -- you can't take another up to six months or more because lives -- it affects lives.

You can't put organizers or potential sails or sources of capital and shareholders and most important, the management team that is so hard to get and put together, you can't put their lives on hold for a year or even more than a year.

You lose them and then we don't have anything.

So try to do better in -- you know, sometimes, if it doesn't work and is short and is -- let's just act on it and say no, it won't work, here it is. Take it back and not linger and keep it alive just for purposes of maybe it will get better.

All right.

Enough to for de novos, I'm way over my time but I still have a few comments to make.

The -- beyond de novos for transactions that are still covered by the Merger Act let's talk about emerges.

Let's say there are two watching that want to merge, both banks are two rated, good established, no problems, no consent.

Would he should expect approval of that transactions within 60 days, maximum.

Not 90 days or four months or -- I understand that there are many other laws that we have to comply with and notices and public, it so I'm not saying that we have to change that.

That has worked all these years, let's not go there -- it's not necessary.

It works and it should -- two rated banks that are in good shape and fulfill their requirements by capital should really be treated with a little bit more respect in terms of timelines.

Chairman Gruenberg I keep looking at you but I'm trying to make eye contact with everyone but we've been around.

(Room laughing)

>> MARTIN GRUENBERG: Thank you I take it as a complement.

>> ADRIANA BOEKA: We've sat around tables before.

And change of control -- same thing. I know that it takes time to do background checks but it shouldn't be any more than 30 days and I know the FDIC keeps that as point man, if you will on that area.

Usually change of controls -- I would say that it is exception to just have everything is peachy, everything is wonderful, everything is well capitalized and all of a sudden you have a change of control.

Usually change of control is because there are some issues that you need capitals, so I think that everyone should be in a hurry to get it fixed.

So if the timeline for approvals can be tightened that would be great.

Over the years I have seen all of the agencies -- I haven't worked with OCC in quite a while.

But, I have worked with all of the other agencies recently.

And I have been the recipient of a lot -- everyone involved in any of these transactions that are under the merger act, the -- they accommodated the timelines; I got things done very quickly. The last transactions that I did, of course it was an easy one it was an acquisition of a branch.

But from the day of the signing of the definitive, the purchase agreement to the day that we -- closed the transactions and we had the conversion then on that same day -- 90 days, 90 days, December 30th to March 31st. So it can happen.

A merger also, you know, it was just triggered by the mandatory notices that the timelines.

So I have been fortunate and I have seen your system work nicely and I will say that one thing that was constant in -- during all of those is that the regulators knew the institution, were familiar with the institution -- I don't know if it could be because they were very bad at one time or if they were good, but the institution was known by the regulators.

And the management team was known.

When you have those two components, things can happen rather quickly.

So how do you do that? Well you need to communicate take every opportunity for communications with your regulatory agencies and people on the ground and the head office and earn trust that they can go in a hurry and maybe accommodate. I highly recommend it. I'd like to operate in that manner and they have responded.

One more comment under de novo. Even though I had those comments on the capital and the timing I think that regulatory scrutiny is a must on de novo situations. The thresholds for entry to our industry should continue to be high. So don't just approve everything. It's hard enough with all of us and it should continue to be hard. We all signed up for being in a highly regulated world and we stayed in it. I see a lot of people that have been in the banking business for a long, long time so you can survive, you can adapt.

I would concentrate in this every ten years, I would really concentrate not in changing the language of the regulations or the law but I would concentrate on your procedures, your expectations, your -- we need to adapt and adjust to the future. We have -- I see a need for, um, maybe adjusting the requirements for when we open new banks the CEOs we have an aging population of CEOs and we need to welcome a new breed of CEOs that can maneuver in this technical internet society with new products and new delivery systems and maybe we need to dust off the old CEO mentor program that we used in the past but we need new people with new ways and the laws and the procedures as we have them right now don't accommodate that. So work on that and I was supposed to have a lead in to you. Please -- you're short of time. Anyways I hope that everything that is said here when you make your decisions to tell your regulators that you give very specific simple and direct orders in writing as to how to go about it so that we're consistent in every region. With that I --

You could discuss some reporting issues that you'd like to bring up as well the lead in that that she led I do echo her position that constant communications between agencies and how policies and procedures are applied will really benefit. Regulatory agencies as well as us. We're in it together. We do need to navigate the new world.

In general, community bank product offers, loans and deposits have not materially changed. They haven't. We all still know our customer based, however, what has changed is

the amount of information that we are reporting. As you are aware reports have grown from 29 pages to over 80 pages with our understanding that with the forthcoming three provisions we are going to be adding a few more pages.

So my comment in this area is really we don't have a problem as bankers, we have technology, it's to provide the information but it would be appreciated to have that information consistently applied for all the agencies.

As an example, I mean something as simple as schedule RCK quarterly averages versus point in time we can provide that information if we just define and say we want quarterly averages then you could the agencies analytical departments can pick apart what you need or don't need but having us mix and match that adds to time.

This is an easy fix that I know you could do. Simple change in the schedule with FDIC. Insurance. 250 those take time. Threshold has one option 100. So these are very simple fixes that would be appreciated from every finances department. We do understand the need that you need the information and each agency needs that data and each of our business models are different but if a consistent standard and application is communicated to us we'll fill in the number so you can have the data.

And these minor examples this is where the -- we talk about in a regulatory burden but this is where it occurs in our offices in our cubicles every 60 days, you know, four times a year times, you know, however long that policy is there, ten years, those are the minor things that can really help. I mean definitely encourage our business model.

Another thing when we recognize the importance, you know, in order for the EGRPRA to have impact I would like to ask as the policy makers are going line byline to actually ask what's the benefit if you started with, you know, most of the rules are governed by 80% who

control the deposits and that's the community banks does this make sense for the 20%? Just a question.

The other topic that was already discussed that was spoken about by Comptroller Curry and Chairman Gruenberg is the small bank hold company policy I would like to encourage the body to increase I think you indicated 750 to at least a billion dollars. I think part of what smaller banks do the burden which then translate to expense so in order to maximize expense you have to have scale and our investment bankers will say a billion dollars to handle current regulatory burdens not forthcoming regulatory burdens.

So I'd really like to challenge the bodies to actually consider while 750 is a greater step but something larger than a billion but maybe less than \$5 billion because we are growing and we're on a good ramp up and you are seeing institutions merge and have scale. I like it when Cal Trans and California built the freeway. We've already used the four carpool lanes and I'd like you to consider this on this topic.

In closing it is very apparent that in order for community banks to allocate resources in their communities versus staff to support regulations that the concept of tiered regulatory may be awarded and timely and thank you for recognizing the tiered regulation concept.

>> ANITA ROBINSON: Well, good morning. Comptroller Curry, Chairman Gruenberg, Governor Brainard nice to see you this morning. So it's an honor to be here and facilitate this discussion. I'm going to take a different approach and talk about my own experience and a couple of unique situations hopefully will trigger thoughts in the audience.

The topic that we had was as Adriana said earlier was fairly complex and frankly legal in nature. I took a look at the permissible activities and tried to focus in on that. Before I go there let me just once again you had a little bit of history about me from my bio but in my recent experience I joined Coast National Bank as President and CEO about three years ago.

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Coast National was a troubled bank and was under concept order of the OCC. I won't direct any comments your way, Kay. But we're no longer under the order and in a \$130 million in assets and ready for us to get in the game.

But prior to that experience I was a CEO of Mission Community Bank. We started that bank in 1997 and what was unique about de novo national bank and it was subsidiary. So that application included a local application but also required approval back in DC because of the nature of it having a subsidiary at its outset. That bank was certified as a city of fie (Inaudible).

So throughout my career I've had the opportunity to work with the agencies with the exception of the OTS and I find that experience has done well for me. Now Coast as a national bank while it does have a holding company and is supervised by the Federal Reserve Bank there is very little conflict. So in my review of 12 CFR chapter one part seven which is bank activities and operations as well as the subparts A-E I observed there are 21 powers and 24 corporate practices identified.

Further in subpart D another nine sections are addressed and powers range from ownership of property to financial literacy programs included in these 21 powers are sections addressing banks acting as loan originators to operate postal substation, messenger servers. SBICs remote sales. Under subpart B it addresses corporate practices which are the day-to-day operations in corporate board and stock issuance bank operation is subpart C and it gets into the hours and emergency closing and sharing of space or employees and subpart D this section also addressed bank charges and this of course was significant discussion as it related to ATM and other fees.

Further within the subpart is the guidance in the establishment or loan production offices and remote service unit and finally in subpart E is electronic activities that are part to

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the business of banks which may include the excess of electronic capacity and by-products acts agriculture digital certification authority and internet banks.

So the purpose of today's meeting was to provide feedback and any constructive recommendations that we might have for streamline of processes and reduction burden on the banks in either application reporting or supervisory activities.

But as I reviewed this long list of permissible activities, frankly I couldn't think of anything else that I really wanted to do so I'm kind of hopeful that maybe there'll be some ideas and recommendations and requests out of this group today.

And so most banks as we'd talked about earlier are still in the business of providing deposits, making loans and we found that increased competition has created a much more concentrated banking industry with fewer and larger banks.

The separation of commercial banking and investment banking has disappeared among the largest banks which are now involved in nontraditional banking activities.

So as my background and experiences in community banking and what I considered fairly traditional commercial bank activities, I have had the experience in community development and technical assistance within the banking structure.

So, mission community became a group of companies which involved a bank holding company supervised by the Federal Reserve Bank, the bank which was originally chartered and supervised by the OCC, a subsidiary development corporation.

An affiliate non-profit which was a sister to the bank, and through the worst of times we created a special asset company which was also monitored by the Federal Reserve Bank.

And that's kind of the good bank-bad bank as we used to call it.

In 2001 the bank was converted to a state then DFI Fed member.

And so during that time, we worked with all agencies and found really that the most challenging issues for us at the time was the lack of understanding of the specialties that resided within a community development bank.

And so we spent a lot of time training examiners and actually requested that examination teams not be rotated out because of the time that was spent in training them in the community development concept.

Now I realize that it's a fairly unique field but we -- that actually worked well for us.

So, over the past ten years banks have seen increased supervisory complexity, so the goal of supervision so to make sure that we operate in a safe and sound manner and I think it's probably in our best interest as well.

So, you know, supervision as such includes reviewing the bank's operations, risk management policies, monitoring our financial condition, lending operations and other practices and enforcing regulatory rules.

But because of the periodic nature of the supervision, supervisors only got a snapshot of these processes and risk exposure and capital positions at a given time.

So, depending upon your exam cycle which can be as every six months or monthly or quarterly reporting up to 18 months which we all like to see the 18 months but we all have to remember that we have to pay attention to our knitting during that 18-month cycle because that can be a long time.

So, I asked my management team before I was going to be visiting you today if they had any recommendations and the subject comes up of the examination process and the delivery of materials to the examination team.

I can tell you that we are not in our bank yet paperless and I know that some banks are.

So, we have boxes and boxes and boxes of files and papers that we deliver to the examination team when they are onsite.

So one of my senior management teams says that if the banks documentary request list is to be submitted electronically via a download into OCC connect, then the exam team should have access to that, or the EIC should disseminate those documents for the exam as opposed to in paper format for the exam team to use when they're onsite.

Handy hint.

We had the most recent experience of having a training team in and so, many of you have had that experience as well.

It's trickery.

They tell you it's a complement but (laughing) in any case, our small little bank had 16 examiners onsite. It was about 50% of our staff's size.

And, but the most adapting part is every one of them had checklists of which we had never seen.

So when I asked if we could get a copy of the checklist, I was informed that they're not available.

So I would recommend those checklists would be very handy to us bankers in preparing for these exams.

And finally, from our finance department, when we make securities purchases now a full write-up is required to support the decision, similar to those of a credit write-up, in your credit portfolio.

What we've found is there doesn't seem to be consistency among the examiners in the level of detail and complexity required, not to mention the format -- so a little help there would be great on our part.

From me, I would like to see some consistency across the board in the legal lending limits issue which is always a challenging subject for National Banks.

And, largely what you see is many banks leave the National Banking system to go to the state, the state banking departments for the incentive of the larger lending limits.

And I think if there is a way for us to level that playing field that would be very helpful.

Capital requirements, Adriana touched on that, that's a huge subject for me. I'm not going to get into it here because I know you're going to have a panel this afternoon on that subject. But, without a doubt, the capital limits and I'm going to give you an example of that in a minute, are all over the place.

And then I know you're going to talk about BSA this afternoon but the BSA discussion is critical as to how it's impacting the small community banks in the level of preparation, documentation and reporting and BSA.

So, I want to just share with you one last discussion and that is at Coast National Bank this year, we completed recapitalization which was fairly complex.

And let me just give you an idea of how this went about. We have a holding company the holding company's underwritten agreement.

There was a strategy to preserve the deferred -- a significant deferred tax asset and not trigger changing control under the IRS code 382.

Shareholder rights plan was approved and that required the approval of the department of corporations. We had trust preferred, it through the was going to default June 16th.

And they were pulled.

There's nobody on the other side that you can talk to, you can't find them.

We had a debt component which required Federal Reserve approval, and new board members.

At the bank, luckily the consent order had been terminated, but, we still had supervisory agreement which required a 9% tier 1 capital ratio and a complete revamp of the capital plan which I've done three times this year; and new board members.

So, this process started in March of 2014, and was completed by June 13th, two days before the trust preferred delinquency date.

With all these agencies and all of these supervisors involved, I can tell you that it only happened because of the level of communication that was across the agencies. They were effective, they were responsive, and it was absolutely critical to us.

It was -- whether we lived or died, and I believe the agencies heard that.

So, in repeating, again, the value and the significance of open communications across all agencies, is absolutely critical.

And that -- there can't be any walls when the banks come to you and ask you to talk to each other, to help us out.

So, with that I wanted to share some good news and let you know how appreciative we are and I'm actually very thankful to be here today and to share a little bit about my experience and thank you for thank you for listening today.

>> JAMES C. WATKINS: Thank you Anita if there are no questions from the regulatory principles we'll open it up to the audience for any comments or questions that you may have we'd be delighted to hear any comments you may have?

>> KAY KOWITT: And if you're going to make comments you need to use the mic in the middle.

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>> JAMES C. WATKINS: And I commend Anita to having a training team come into her bank I'm you trying to think when I was a trainee and the kinds of questions I could have asked.

My goodness, it was some time ago. But we appreciate your time and attention for that. It's an important aspect for all bank regulatory agencies to have a training program that goes into institutions so that they understand what's required to analyze those risks. So thank you for your patience on that.

Any comments or questions?

Please, use the mic if you can.

Yes.

>> AUDIENCE MEMBER: Good afternoon.

I'm Howard Hernandez I'm with the American GI form state of California and I recently sat in a bank merger one of the banks was coming out of state and from the New York area, coming to California with -- and they were trying to merge with another California-based bank.

My concern was that the bank did not really express the desire to extend brick-and-mortar into the communities, as opposed to just making everything online, ATMs, and my concern was that it's not really, really rebuilding our communities.

Their plan, their master plan was to maximize the Internet, maximize all of the IT, but you know I have questions when we have so many problems with cyber security, and we're not really focusing on rebuilding our communities.

We have what we have to do is start focusing on one rebuilding our communities within the state of California and insuring that these banks if they're going to come in, they're

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going -- we're going to have a ratio of loan to deposits that's going to be relatively equitable, and across the board.

I'm not willing to accept a merger for the sake of accepting a merger within a short period of time.

I think we have to have a merger that's going to be well-thought out, and a plan that is going to make sure that that bank's going to be around for a while and it's going to -- and the community itself is going to benefit from the investments that the bank is going to make into the community, not only in the business but residential.

That's my only comment.

>> JAMES C. WATKINS: Thank you.

We'd welcome other comments as well.

Part of post-applications not necessarily all applications but many applications require a public comment period and that kind of speaks to the issues of the importance of having a public comment period and getting input from the community when regulator would look at whether an institution would be meeting its community needs including its Community and Reinvestment Act status.

Any other comments on relating to the panel 1 topics of applications or reporting or banking powers?

Banking operations?

>> THOMAS J. CURRY: Conditional actions we might take they are insightful and helpful. So I want to say thank you. I want to thank Anita but I think you brought out an important part of the burden issue and I think we all focus on rules and regulations but I think an area where we as agencies from Jan down to me would do a better on how we execute.

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And that's something that Toney Bland and Kay and speaking for the OCC we're focusing on how we do our jobs as supervisor and actually do a better job. So thank you.

>> JAN LYNN OWEN: You don't need 35 examiners that you are training for us although we pick you for a reason but we get it and we need -- the good news and bad news but we need to do a better job of managing that and not making it a part of a burden as well.

>> KAY KOWITT: We'll take a 15-minute break and start at 10:35 a.m.

[Break]

10:45 A.M. – SECOND PANEL: BANKER DISCUSSION

>> And Toney -- at this time I'd like to introduce Toney Bland; and Toney's going to moderate our second panel which will address recession regarding securities, rules and procedure.

Toney.

>> TONY BLAND: Thank you Kay good morning everyone and it's a pleasure to know here to moderate this panel.

As Kay innocent we'll be covering money laundering.

And reports of crimes or suspected crimes the rules of procedure is pretty broad it deals with voluntary liquidations, suspensions and prohibitions, and safety and soundness is even broader is it has appraisal standards, frequency of safety and sounds -- other real estate owned, annual independent audits and reporting, lending limits, safety and soundness standards and transaction with affiliates and that is just part of the list.

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And then security gets into security registrations and requirements, transfer agent, proxy sales of securities and a host of other types of areas as well.

You know the goal of our panel is similar to the first and that is to really get specific comments on regulations that are outdated, unnecessary or unduly burdensome for insure depository institutions and -- before I go further I want to introduce our distinguished panel and in your packets are very a lot of information under bios so I'll just touch briefly their backgrounds.

To my immediate left is Alan Horner. He's the Chairman, President and Chief Executive Officer of the First Federal Savings Bank of North Twin Falls, Idaho. It is a mutual savings association with approximately \$536 million in assets. It operates over 10 locations and the bank was established in 1916.

Next to Alan is Candace Wiest she's the president and West Valley National Bank in Goodyear Arizona it's important to know that Candace says she's the lone representative from Arizona here so she wanted to make sure that was known.

West Valley National Bank has \$541 million in assets -- next to Candace is Trey Maust -- President and CEO, Oregon City, Oregon a state chartered bank with \$130 million in assets. It operates one location, the bank was established in 2006.

And last we have -- but not least, Julie Gouw who's the president and it -- East West Bank is a state chartered institution with more than \$2 million in assets. It operates from more than 120 locations in United States and Greater China including the markets of California, New York, Georgia, Massachusetts, Texas and Washington. It was established in 1973.

So thank you all for agreeing to be on this panel.

Again, similar to the first panel we're asking each person to touch on the subjects of their interest, we're going to let them talk about those things they're passionately about or dispassionate with about or -- things that need effective change.

And similar to the first panel we'll try to be done in roughly 45 minutes to allow time for questions or comments from the audience perform so, let's begin and let's start with Alan and you're on the clock Alan.

>> ALAN HORNER: I'm always a little concerned had they put me next to the boss.

They seemed to do this at the mutual advisory committee I sat on they always sat me next to -- I guess it's to keep a hand on what I have to say.

You know I appreciate the opportunity to be here and speak on what I hope is on behalf of community bank's everywhere because I think we all share many of the same concerns about what's going on.

In the economy.

The -- you know, and going through and I listened to the previous panel that did they did an excellent job.

I also sympathize with Adriana's remarks about trying to prepare for this. I sat my assistant down and I gave her a list of things that I would like her to photocopy for me and bring back to me so I could study and she brings me back two three-ring binders like this. I knew that was not going to work. So I put it away and like Adriana said I decide to do rely on my experiences of 40 years and that's -- that's where I'm speaking.

Another thing I'd preface my remarks with, they made a mistake of dealing us with safety and soundness and I didn't really pay too close attention to what the other metabolize were assigned. I was wondering what they were assigned after I saw safety and soundness

because I think safety and soundness gives me a free-free slate page to say what are I want whenever it applies to community banks.

>> TONY BLAND: You have ten minutes.

>> ALAN HORNER: Okay.

So, you know, just a few remarks, one thing I think that all regulations need to be reviewed by size and then by -- and then have size stipulated with -- if it's applicable within all of the regulations I think that's important for us to understand, especially in this new regulatory environment.

We need to be focused on the complexity of the banks and do they apply to, for instance, rural community banks.

I noticed I was reading a speech, I believe it was from one of the Federal Reserve system governors stating that he was talking about commercial lending, for instance.

And he said the studies had found that the commercial the rural banks had a lower problem portfolio than other banks and that the reason was they felt that there were soft innuendos and things from the community that gave them a better insight to businesses and I only stated this in case of what we see sometimes when we do see examiners come in and they're analyzing a commercial loan.

We had one customer for instance that had 46 I believe it was, K1s attached to his financial statement, and we're told to get every one of those K1s to support our position.

He walks across the street to one of our largest competitors so he brings us in a stack like this and says you know I do not have to take this across the street.

So, one of the things I want to focus on is leveling the playing field, whether it's as we look at the at the regs if they're not applicable to the shadow banks and at banks on products that we have, such as CRA and some of the BSA things that we're required to do, I think we

got to question well why isn't that applicable if that product is being offered by a competition, why isn't it? Do we need to assess that? And, again, either level the playing field and make everybody adhere it that same reg or is it really party inept to where we're going with regs?

I am concerned and we review these regs that the new -- the impact of the new immigration laws on all as we go back and review all of the regs what is -- the new immigration laws are going to be a major overhaul in some of our institutions.

Again, you know, I'm going to mention some things such as privacy notices that was already mentioned and the need.

Unless there's a change to a noticing policy, it should not be -- we should not have to send a notice. I mean it's not -- annually that does not fit any other industry but banking, it seems like.

BSA, suspicious activity reports and cash transactions report -- I believe this whole area of reporting needs to be refined and part of is because of the experiences we're seeing right now in our area. We're seeing more and more customers do the security breaches due to security breaches move away from using cards and what have you in they're dealing strictly in cash.

And I don't think that is unique to Idaho because I have heard that from other banks.

So it seems to me in a those limits need to be reassessed because we are seeing our cash transaction reports significantly increasing again as more and more customers use cash and are feeling more comfortable and don't want to deal with security breaches that come, otherwise.

And, again, this is a strong area where shadow banks need to be falling under the same rules as banks or in the whole process needs to be reassessed.

CRA, again, needs to be reviewed, especially with regards to reporting, and I go back to what I just mentioned on community rural banks and -- the closeness we have with our customer base.

Within the -- and I applaud the OCC with what they have done in looking at the 18-month exam cycle because I do agree with that and I like one of the other panelist like to see it go to a billion dollars possibly rather than 750 even though it's not apropos for us at the point. I'm always concerned when I see the penalty phases it needs to be reassessed when we are making a good faith effort to adhere to the law unless there is a trend I think some of the civil penalties could possibly outweigh out of line with what the maybe the damage that is done. Let's see here.

I just mentioned too this is not something that is in too many people's radar that when I did relate to some of these things that Anita was saying but in a different sense when I went on the board of this bank in 1990 you can imagine my shock one of the first board meeting I went to I found out that a cease and desist had been issue in the bank about four months before which was not relayed to me. I don't know if quite honestly it would have made a difference. I was in the private sector.

But I have to question in many cases the need for public disclosure of some of them that. There used to be a law in the books that if you did or said anything that caused a run on a bank you were guilty of a crime. And I looked at what happened and it seemed like there was quite a few banks that if -- and we experienced on the positive side of this because we had a couple of banks that did have some troubles a run on their bank and a drop-off at our bank and if that would have been publicly disclosed at the time that seize and desist was issued on us it would have caught on run on us. I would not be sitting here today if that would

have been publicly disclosed but the board made the decision, worked up and we worked out of that.

Now on the other side of that I can't disclose my calibrating but we can disclose those other kind of issues. I think it's a case of, um, of fairness in reporting the good as well as the bad or however you are going to look at that.

So basically I have other comments to make but I think our other board members -- panel members are going to hit on a lot of this but I think we need to focus on the complexity whether it's really an issue that deals with community banks that deals with the whole process here Dodd-Frank -- I was not supposed to mention Dodd-Frank. I don't think it's quite that but, um, I do think that we need to look at complexity of we've been told that so much of this does not apply to rural banks but we continue to want to run a good bank. We take them into account and we look at the complexity and where those limits need to be as we review all of this.

>> TONEY BLAND: You mentioned about leveling the playing field. What were the specific points? You gave the example of the documentation requirements but any specific items that come to mind?

>> C. ALAN HOMER: I think that's an important one. We see this as I said in some of the competition we're dealing out with out there they don't have to deal with CRA like we do and all the reporting that goes along those lines so they get a step up an advantage on their income side because they don't have to have employees to deal with CRA for example.

In general, that would be kind of an example that I would see Toney.

>> CANDACE WIEST: I'm celebrating my 21 years as a CEO so I'm not going to look at the comptroller because everyone knows that I've never been with another regulatory. I want to thank the OCT and the comptroller with the things they have done to help the small banks.

At a time when there is a change to be able to quickly decide you don't need to spend time or energy on that particular circular is very helpful and I think that the OCC has also done a very good job of looking at the language of a lot of these documents. Our directors have fiduciary liabilities. So I appreciate that effort as well and hope that as we look at this that the common understanding is helpful.

My bank opened at the most imperfect time at the end of 2006 at one of the Bermuda states. We had model ten banks and they had failed in 2011. We were trying to grow into an economy that's failing and falling and just some of the frustrations that we looked at or how we could have been helped better with some of these rags.

The first one the timing of exams we have actually my exam started yesterday and so we have had times in the past where we have been outnumbered in the past but I think the OCC did very well reigning that in. The last team we had was really excellent because they had put the leader and all the questions need to be (indiscernible) and it was not as onerous as we had been in the past. I also think that the timing of exams and this idea of tiered regulations if you want to preserve banks like mine that preserve rural communities. When Buckeye, Arizona was -- we opened in 2008 and we have developed good relationships and I grew up in the Midwest and all you need to do is look at what happens with a rural community and we are an economic development force.

I think for us the 12 CFR 4.6 the timing of the exam basically I don't think it's utilized as much as it could be and this depend not just on the size of the bank but on the complexity of the bank the strength of the management team and I think this day and age of technology and for a noncomplex bank likes us that rents money to local businesses for us really and truly is asset quality and so much of that could be done electronically. What metrics need to be added to this rag to allow you the authority to do that I think.

The next is 12 CFR part 34 C the appraisal standards one of the things that we look at is there is language in there that says an existing extension of credit needs an appraisal with any obvious and material change in market condition or physical aspects. For someone who was paying you were forced to go out and get an appraisal. One of the things they do they give an appraisal a three-year window to look at so basically if you are at the bottom of the market, you are not going to recognize that the market has improved at a time when you should and if the market is overheating ^ they are going to be able to go back and use those comps for 2 or 3 years so really take a look at that window and see what is appropriate in a rising and falling market where a two-year would work better I think and also to look at it and say for a borrower who is performing who has not had any deterioration and their payment stream still meets the bank standards you ought to be able to waive that.

We've had three real estate defaults and none of them were in our rural office. We had a lot of people who kept paying me for 7 or 8 years despite the fact that the building was no longer what it was when we made the loan. The legal lending limit I have a different take on this we looked at converting charters for this exact reason. Ultimately we decided that my long standing relationship with the OCC and the fact that the OCC really does look and if you listen they give you good risk based advice and they have ahead of the curve but it's put us at a competitive disadvantage for a couple of reasons. Arizona was very damaged and we have five small national banks in the whole state right now and two of them are supervised out of Washington right now and of the banks that are left they are looking at the capital base and say do we want to take a chance in participation with a small bank because we all had a bad experience with small banks. So now we have some relationships that have matured. They are starting to grow as the economy is recovering and we are losing these small time relationships when we really took a chance with them as the economy was struggling.

I think for the OCC to look at it we do participate in the special lending right now. We were approved for that but it's very limited as to what you can do so I think if you can't look at raising the standards especially during times of economic duress or in light of the new capital rules then I think that program needs to be revisited as well.

Real estate is very interesting when we look at the real estate lending standards at 12 CFR part 34 D basically the right in the appendix discusses lending diversifications but it doesn't mention incorporating exposure in the bank investment portfolio.

So banks who have CDOs in the past and have real estate lending components should be treated very differently than a vanilla bank like mine take a look at that and revisit it. In the appendix it talks about exceptions being over 100% of capital and will trigger increased supervise re scrutiny. That could be amended because you'll encompass.

Security devices and procedures 12 CFR 30 I think it could get scrapped. You basically have insurance companies looking at a lot of the things and it doesn't appear to me that the government needs a special rule for that.

Under any money laundering and by the way my compliance people have asked me to give a disclaimer that my opinions are not necessarily of those of the management program. I'm an old lender so my line is always why can't we do that so under money laundering that our ability to police people is very much impaired as a small bank.

We think we know our clients and yet you are often surprised by what they do like a... Without managing to bring it to your attention like a physician group that suddenly sells all their assets and decides to move and forgets to mention it to you.

So I think one of the things that's going to be difficult for us is to determine what are the activities we certainly do your research upfront, we do have a when you look at the

FinCEN Examination Requirement this reg has either got to be more specific or realize the limitations that we'll all have especially now with electronic banking.

Our office in Scottsdale has somewhere around seven transactions a week, seven people in the branch a week because it serves doctors and dentists so we use a lot of remote deposit captures.

So it's not like the old days where somebody could pull up a check and say this looks funny let's take a look at this a little further. So we need to recognize our limitations and I think there could be some additional language around there. And that concludes my remarks

>> TONEY BLAND: Thank you Candace. Trey.

>> TREY MAUST: Thank you Toney.

I have a stop watch. So I can insure I stay within ten minutes.

So thank you Chairman Gruenberg, Comptroller Curry and Governor Brainard for your time today.

Having worked in finance, capital markets, and community banking throughout my career, my comments will primarily focus on safety and soundness matters, particularly as they relate to community banks and the burden the application of select regulatory practices places on the industry.

More specifically, I'd like to comment on the apparent de-risking of the banking industry, supervisory trickle down; reputation risk as a deterrent to providing product and services; de novo activity; and the frequency of safety and soundness examinations -- and I did start my stop watch.

The apparent de-risking of community banks is regularly mentioned in conversations we have those in and adjacent to the industry. It is also a consistent theme in the remainder of my comments.

The American Bankers Association -- the ABA -- recently noted that banks now face more than 8000 pages of final rules and guidance. Much of this applies either directly to community banks or trickles down to community banks in the form of "best practice".

Further complicating the regulatory landscape as Esther George described in a September 2014 speech, move away from examiner experience and supervisory judgment, replaced by a greater emphasis on data-driven, econometric models and measurement to produce a more systematic, objective, and standardized approach to supervision.

As she put it, and I agree, "For the enhanced supervision of the country's largest banks, this approach has been considered highly successful.

"However, for community bank supervision, the substitution of rigid rules for examiner judgment has altered the supervisory process without adding value and has instead created higher costs of compliance."

The burden of continually expanding rules and regulations combined with the shift to a more data-driven, standardized approach to supervision, directly impacts the community bank's ability to deliver tailored products and services to businesses and consumers.

It also impacts the community banks' ability to innovate and adapt to a changing marketplace and demographic landscape.

Multiply this by nearly 6,000 community banks and one can appreciate -- given the outsized role community banks play in small business lending, as pointed out earlier -- the detrimental impact this will have over time on the availability of credit to small businesses and availability of banking services to role of communities across the nation.

Supervisory trickle down.

One of the most frequent complaints I hear when speaking with other bank CEOs about regulatory burden is supervisory trickle-down, generally in the form of

recommendations to adopt monitoring and control systems that are only appropriate for larger institutions.

The term "best practices" is typically used here.

Governor Tarullo alluded to this issue last month when he stated that supervision must not inadvertently undo the decisions made through regulatory tiering, and that this point raises the oft-cited concern about "supervisory trickle-down," whereby supervisory expectations -- or even regulatory requirements -- formulated for larger banks are de facto applied in part to community banks.

Curiously, when I reviewed comment letters from the prior EGRPRA review process, I noted this issue was raised with primarily Sarbanes-Oxley Act and anti-money laundering practices at the forefront.

Clearly this issue is not new, but it does place a tremendous burden on community banks who feel compelled to comply with the belief that a CAMELS component rating may be negatively impacted if they do not.

To address this I would ask your agencies consider ongoing communications making it clear that practices formulated for larger banks should not be applied to community banks.

Reputation risk is a deterrent to providing products and services.

The community bank model focuses on developing long-term relationships with businesses and individuals which enables these banks to be product and service innovators, assuming they feel permitted to do so.

I've heard first-hand from peer institutions about regulators using reputation risk to discourage banks from providing traditional banking services to politically disfavored "high-risk merchants" without an empirical foundation for this basis.

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I've also seen banks in my own marketplace receiving a clear regulatory pathway for providing services to politically favorable yet federally illegal businesses, in the marijuana industry.

This, coupled with DOJ's Operation Choke Point is concerning to me and implies federal agencies actively picking winners and losers.

To address this, I would support a pro-partnership approach between institutions and agencies that respects bankers' judgments about whom they bank and whom they report suspicious activity.

I would further ask consideration of the following: First, retract or modify guidance to other supervisory policies that expect banks to assure the compliance of their customers or their customer's customers with applicable state or federal law (such as FDIC FIL 2013-43); second, base corrective actions for a bank on clear evidence of material harm to the financial soundness of that institution.

De novo activity and probably my favorite topic; in 2005 I was the CFO of a community bank in Portland. That year the Chief Lending Officer and I had made the decision to form a new bank.

The two of us contributed substantially all the seed capital needed in the formation process, developed a sound business plan, assembled a strong board and team, personally went out to raise the \$13.8 million required, and opened our doors for business in December 2006.

As you can imagine the process took its toll but it was rewarding to see concept brought to reality.

I regularly run into people who are curious about what it was like to start a bank.

One of the questions posed, almost without fail, is "Would you do it again?"

My answer is I would absolutely do over, especially with the benefit of hindsight and lessons learned.

But I would never do it a second time, at least not under the current regulatory framework; and by current regulatory framework, I mean the five- or seven-year de novo period.

In September 2014 the Federal Reserve and the Conference of State Bank Supervisors jointly hosted the annual community banking research and policy conferences in St. Louis.

Having been through the de novo process myself, I was particularly interested in hearing the results of the research paper entitled "Where Are All The New Banks? The Role of Regulatory Burden in our New Charter Creation."

The research paper noted that the cause of the decline was not immediately obvious, but statistical regression results suggested a very strong correlation between certain determinants of bank profits and new bank charter formation.

More specifically, the decline in new bank charters was nearly all related to the economy and may have occurred without any post-crisis regulatory changes.

I don't necessarily disagree that bank profit factors are a material consideration in new bank charter formation. In fact capital requirements, the interest rate environment, demand for loans and banking products, and industry trading multiples all impact the motivation to invest one's life or funds into a de novo bank.

But put yourselves in the shoes of a bank founder or investor who is facing these financial hurdles.

And now layer onto this the incredibly constraining prudential regulatory treatment and operating parameters required of a de novo for the first seven years of operation if one is a state, nonmember bank.

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And even five years is too much in my opinion.

While renewed de novo activity would certainly result in additional competition in my own marketplace I nevertheless ask you to consider reverting to a three-year de novo period.

If there are safety and soundness concerns or other serious issues with a specific institution after the initial three years these can readily be dealt with the existing examination and enforcement process.

And one final note, regarding de novo institutions, I would further ask you that you consider decentralizing the decision making process away from Washington DC, unless the specific de novo poses a material risk to the insurance fund.

We consciously avoided pursuing any business initiatives that would have required approval from Washington DC.

While it prevented us from capitalizing on certain opportunities, it did enable us to avoid the pain brought about by centralized decision making from supervisory staff, who have no connection with our regional or local company.

And finally, frequency of safety and soundness examinations.

On Monday we welcomed nine field examiners, to our community bank of 22 FTEs. To put this into perspective if one were to extrapolate the nine-examiner-to-twenty-two-FTE ratio onto America' largest bank it would be the equivalent of 96,000 examiners onsite at JP Morgan Chase.

The newly streamlined safety and soundness examination request list we received totaled 169 topics, each of which requires from one to a multitude of documents, analyses, or loan files related to follow-up.

But, similarly, the compliance examination with completed in October had a request list of totaling 177 topics. The two examinations for the small noncomplex community bank totaled 346 topics.

Now, having been an auditor early in my, I can appreciate the need to obtain sufficient documentary evidence to support each of the recommended ratings for CAMELS components, information technology, BSA/AML, and consumer compliance.

However, full-scope examinations place tremendous strain on the resources of a community bank, particularly when compounded by the independent assessments most of us now obtain as a best practice, which for us include internal audit, external audit, information technology and security review, credit review, interest rate risk management review, liquidity and funds management review, and compliance management system review.

Remedies to consider in reducing this burden on community banks could include the following: First, adjust the exam cycle for well-managed and well-capitalized noncomplex institutions under \$1 billion away from annual exams -- that's discussed earlier; two, extend the full-scope safety and soundness examination cycle to longer than 18 months for those institutions that are small and noncomplex, supplemented by interim targeted risk based visitations; and third, as suggested by Governor Tarullo last month, the relatively straightforward business model of the community banks along with its relatively small scale provides the opportunity to increase the use of off-site supervisory oversight, including examinations.

In conclusion I appreciate today's outreach and look forward to the extended dialogue under the EGRPRA review process. My hope is that we move toward a regulatory landscape that encourages community and mid-sized banks to explore business models that foster

innovation, allow for success and failure, and enable the industry to lead the financial services sector as a whole.

Thank you for your time.

>> TONY BLAND: Thank you Trey. Julia.

>> JULIA GOUW: Good morning and thank you so very much for inviting me here.

I have been with East West Bank for 25 years when I joined the bank in 1989 we were a small thrift of \$400 million thrift and we are now a \$28 billion commercial bank. So we have been under many of the agencies except for OCC because we were a thrift and we converted to a state bank in 1995 and now we are state member bank.

So we have very good you know look a relationship with our regulators because I was an auditor before I joined East West and I was with KPMG and I used to audit East West so I make sure East West always passed any audits. So thank you so much I would like to offer a few comments you know regarding regulations that may have been outdated and many of my comments you know relates to threshold.

First you know appraisals I think we should consider increase the minimum size over which an appraisal is required. The requirement for appraisal was \$250,000 loans and it was introduced in 1994 and it's still 250,000.

So I would like to, you know make suggests because of the following reasons to increase the threshold.

The average sales price of a home in January 1994 when it was introduced was \$153,000 and the medium sales price was \$126,000, twenty years later in January 2014 this is more than doubled the average sales price was \$337,000 and the medium sales price was \$129,000.

In addition I don't have the total amount the statistics the cost of an appraisal has gone up tremendously in 20 years so I would say that for the consumer, the cost of getting a \$250,000 loan like a requiring them to pay for the appraisal has gone up too.

In proportion, to the cost of the appraisal. But lastly probably most importantly is that with the new technologies, you know most of the information is available.

Everybody you know can check on -- Zillow has become a database provider of all the historical price sales price, and also you know you have Google, Google Earth that you can look at what the home looks like so I do think that a consideration should be made whether we need a full appraisal by an appraisal company or somebody who is certified who do the appraisals.

Second, shared national credit program that started in 1977 with the definition of \$20 million. These loans at least for our bank get long and extensive scrutiny. I this I that \$20 million today is also not a big of a loan of 25 years ago. So the size -- you know like it can be, you know, the threshold can be affected. Also front insurance. The exemption for loans of \$5,000 or less this was enacted in 1968 when the average home price was \$24,000. I would recommend that we either increase the exemption or look for the need of flood insurance. We live in California to me the risk of loss from earthquake is much greater than flood but yet there is no such requirement for earthquake insurance.

And I would like to, you know, touch on BSAs that have been covered I would say that one the CTR threshold of \$10,000 also like I believe it was introduced back in 1970 when \$10,000 was a lot of money but right now we heard comments from average individuals if they happen to have cash for example like somebody who sells a used car and when they fill out the CTR it is time-consuming and I don't think that, you know, an occasional cash deposit

is something that, you know, people do illegal activities so I would recommend to look at whether 10,000 is still an appropriate limit.

Obviously we truly believe that BSA and suspicious activities should be tracked but right now like automation of all the information we can aggregate maybe this manual filing of CTR especially for individual that just do it occasionally as opposed to doing it on the, you know, constant basis.

And also for the BSA I do think that the banks need clear guidance on what is consider at for the BSA. There is a lot of enforcement actions we believe that how important BSA and everybody try to do very good job and over time the expectations may have changed but there are no written guidelines or, you know, like thanks to, you know, like guide the banks because everybody wants to do a really, really good job. We have so many people in our BSA in like all the branches trying to do as good of a job but if we have better clearer guidance as to what, you know, the regulars are looking for and what would be considered adequate I think that would be very much appreciated.

And lastly, I would like to bring up I think that many comments have been made of matters that need to be approved by the board of directors I think the volume and the responsibilities have really grown a lot but there are some policies that because of a requirement we presented to the board but I just don't know how useful of that, you know, like the approval of certain policies by the boards, for example appraisal policy I think for the board to approve an appraisal policy I just don't know how much that would add to the value and, you know, to the oversight responsibilities of the board and the other ones are wholly review if you do have you need to do an annual review and approved by the board and also the annual de minimis resolution. I think the board has to approve so many policies and

procedures that I think it might be, you know, make sense to reduce for the board to appropriate the policies and procedures.

So in general what I believe all these regulations were prudent and necessary when they were introduced. The threshold should be updated as well as the technologies that allows easy access to information as well as the massive databases that, you know, the technology can analyze and also available, you know, publicly that were not available 20, 30 years ago. So thank you very much for inviting me here.

>> TONEY BLAND: Just to circle back one thing you mentioned was appraisal or technology are there any kind of parameters or how that would operate given the standards you have now what thoughts you have in terms if any governors on the technology for that information?

>> JULIA GOUW: Or maybe use evaluation that have the, you know, the skill sets, you know and also can document the rational and what type of conclusion one has without, you know, having to require a full licensed appraisal. Of course, on the bigger dollar amount because of the risk which I understand that for the bigger value sometimes you even want to have two appraisers because to do the evaluation because they come up with very different value.

For most of the cookie cutter homes, you know, they have a lot of activities. If you go to Zillow can eventually actually make the market because everybody they do not want to offer more than what Zillow shows or people don't want to see below what Zillow shows and they do approve all price histories and all the sales of the neighborhood so that information that is now common that anybody can access long time ago I can understand why you would hire an appraiser or company and they are the only ones who have access to all the history.

>> TONEY BLAND: Thank you and also to circle back some of you touched on the CTR reporting thresholds and you mentioned it any thoughts on what that new threshold should be?

>> JULIA GOUW: Well I just think like right now most of the, you know, like even cars so it's more than \$10,000 so I would say maybe \$50,000 somebody who acquires \$50,000 like I don't know where they got it so probably makes sense so I think that it gets triggered because somebody sold a used car that may be too low of a threshold.

>> TONEY BLAND: And you had a reaction.

>> CANDACE WIEST: I do think there is something to that or maybe you could use a plate inflation adjuster and make it very logical to keep case so you are not stuck with this status number and the same with the appraisals I mean 250 we actually have people who buy sweets and they could fall into 275 and there is a much better way to evaluate and we go to costar rate and we can do an evaluation.

>> SPEAKER: I was thinking in the realm of 25,000 but I hadn't thought of inflation adjusters so.

>> TONEY BLAND: And then Trey and I believe Candice you talked about the exams two years. You mentioned metrics. If you have any additional comments to expand on that?

>> SPEAKER: I don't see why it couldn't be shifted to a two or longer year period and I say that because it could be supplemented with those targeted risk basis if there is a specific risk of a component or maybe the marketplace has changed that something is more heightened risk or credit there could be target visitations for those.

>> TONEY BLAND: Okay.

>> SPEAKER: They have done that in my bank during the real estate crisis and so much can be done. It's like send us your loans in this category and the files and they could go

through them and one of their examiners has done a really good job. Having been in an 18-month cycle I would not like to be in the 24-month. That's long. It's amazing how in a community bank it can pileup where you think this is the way to do it and you come from another bank so it gets botched so it's always I think 18 months is a pretty good number but for the noncomplex banks I think 12 months is way too short but mine is at Christmas time because we open. I'd like to see some flexibility to at least leave us alone till Valentine's Day.

>> TONEY BLAND: Any comments on the timing?

>> SPEAKER: For me I think the 18-month is very acceptable but I do like the idea of pinpointing because we do have a quarterly report with our portfolio manager discussing and a lot of the information that we're already putting through on the call report hasn't generated some of those specific questions. We had a special honor and he locks. And that I can appreciate. I like that approach very much.

>> TONEY BLAND: Julia.

>> JULIA GOUW: I would like to comment that in the last few years there has been greater efficiency and also use of off-site by the regulatory in examining us so I personally don't have issue with 12-month or 18 months because we like the targeted exam and the regulars to come regularly so we can keep in touch but I think my staff thinks differently but I really think it's a good idea to have more frequent, you know, communication, examination and I think that we should also put in plays I told my team that we need to be able to provide all this information like regularly and efficiently too. So in general I think the more communication target examines the less likely we have surprises at the full examination.

>> TONEY BLAND: And before I go to the audience for comments there are a couple of more points I want to point out. Are there regulations or statutes that pose requirements -- is

there anything that jumps out at you all that don't reflect the way you do business today?

Does anything come to mind?

>> TREY MAUST: I haven't had time to prepare for that response. If I could follow up with you.

>> TONEY BLAND: I would be able but you could think about it.

>> JULIA GOUW: Like most of the especially safety and soundness but going back to the CTR even if somebody doesn't file that information is very easily accessible only if it becomes suspicious activities then we will report it so if we have like a very good program to detect but if somebody just one time, you know, like bring in some cash and then they give an explanation to the bank streamline. The compliant that we got from most individuals all the questions and all the form that they have to fill out is very cumbersome so from their point of view but I would say that right now a lot of the information are readily accessible and also, you know, like it's all in the system that you can retrieve any time that we want.

>> SPEAKER: I would say one example what's happening with cashier checks nobody accepts cashier checks because of forgery. Like in car dealerships they require you to bring cash in so that's an instance of something that has changed within the environment on the commercial side. All right.

>> TONEY BLAND: Let me just for time let me come back to my other question but let me just go to the audience and we have a microphone in the middle of the room if somebody has comments. Yes, sir.

>> AUDIENCE MEMBER: Good morning. I'm counselor for a number of African-American Episcopal Churches and counselor for the National Asian American Coalition who is here and for the Hispanic Evangelical Churches and they are here in the back as well.

And raised an interesting point when CRA occurred in 1977 under Proxmire everything was lower inflation was eight times what it was in 1977 so my question goes to the heart of the definition of a community bank why do we have it so low? Shouldn't we think as community banks, as banks that cannot compete with too large to fail banks? And would this be a matter that the regularities would consider?

>> TONEY BLAND: Thank you. Yes, sir.

>> AUDIENCE MEMBER: My name is Frank (indiscernible). My question is on money laundering. It has been admitted and proven in the Senate hearings that the big bad banks stole trillions of dollars and then they (indiscernible) and they called it asset. Now isn't that money laundering? Safety and soundness the banks I've seen in many cases people try to get justice against them in the courts and they own the courts there is no doubt about it.

And then procedure. Let me ask you and I hope you take this in a bad way. All these procedures and all the rules, so what if you don't enforce them? What's the point of having all these things? Now those banks admitted. They took away I think it was 5,000 homes. What happens? They are allowed access and estimate the damage they did and they are allowed to make an offer of settlement and they are allowed control. \$60 billion became 12 billion. You have the power but are you using it properly? You are not dealing with innocent people? And please I ask you bring them to justice. That would be the greatest thing you could do for America. There are millions, tens of millions of victims of illegal foreclosures. Even the courts are short of money. These banks are allowed to take and most of which they stole so please look at the money laundering and look at the procedures and control them and give the victims some sort of voice. The banks would choose their own friends to investigate them and they claim to have examined a hundred thousand mortgages out of the suspect million. That's

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not even a representative sample. And then they were allowed to make an offer and allowed to control. One outrageous example if they gave a homeowner \$100,000.

And they credited themselves with half a million dollars. That's 500 times what they did so the 6 billion became 12 billion. That is all available in the senate hearings from 2013 it's all on the Internet.

The ones done by Senator Dornan but nobody does anything about it.

You're here today talking about what to me looks like very tiny little things that affect tiny little banks. Talk about the big stuff that's affecting everybody.

Please, I really ask you that and I will keep asking you all of during the weekend.

>> TONEY BLAND: Okay, thank you. Any other comments? Yes, sir.

Will you go to the mic please.

>> AUDIENCE MEMBER: Absolutely.

Good morning and thank you so much for being here just on behalf of the communities that are not represented in the room, your agencies represent such a powerful part of our communities.

And we're not necessarily sure how the bridges are being built so that our communities can interface a little bit more effectively and a little more without all of the different levels of communication.

We're wondering what steps are being taken so that when our organizations come to the table with questions or interests how we might be able to get quicker responses and how we might be able to be more of a resource in conversations like these so we'd be very interested in some of the steps or even the regulations in how they're being modified how there might be some spaces put in or some rules put in that mandate some type of response

that we might be able to interface a little more effectively seeing as how we're not usually included in these conversations.

>> MARTIN GRUENBERG: Sir I appreciate your comment --

>> AUDIENCE MEMBER: My name is Charles Dorsey I represent Christ our redeemer, CDC I'm the executive director, on behalf of Mark Whitlock who is the chairman and leader of -- Episcopal church founded 200 years ago, as you know we're primarily occupied with a lot of things going in the nation particularly Ferguson but we're very interested in how we might be able to be a resource to committees like these and of course I'm with the national diversity coalition, and the NAACP. Gruenberg.

>> TONY BLAND: Thank you. Do the principals have any comments?

Well I'd like to thank the panel, Julia, Trey and Candace, for their candor but also for their participation and preparation for this panel. And thank you very much.

(Applause)

>> KAY KOWITT: I would just add my that happens to Toney and the panel and at this point we're going to take a break for the oven there's going to be box lunches in the grand room and since we're making a pretty good time why don't we go ahead and reconvene at 12:45 I'm sure those of you who have -- we'll start up again promptly at 12:45 p.m.

[Meeting breaks for lunch at 11:48 a.m.; meeting resumes at 12:52 p.m.]

1:00 P.M. – THIRD PANEL: BANKER DISCUSSION

KAY KOWITT: Okay we're going to go ahead and get started our third panel which will cover capital CRA, consumer protection and director's officers and employees and our moderator is Maryann Hunter who is the -- Maryann I'll turn it over to you.

>> MARYANN F. HUNTER: Great thank you all very much. We have the happy assignment of the panel right after lunch.

Oh boy so we're going to try to keep it lively, right guys? I am Maryann Hunter I've been with the Federal Reserve for more than 30 years and fortunate to have a distinguished panel of bankers who actually had experience when I started some of them. We have a lot of experience represented here today.

As you've already heard, our panel we are charged with talking about rules related to capital and I think at the first panel someone said oh I got a lot of comments about capital but we're saving them for the third panel so we hope you're true to your form there. We're going to talk about officers and directors which is really regulation oh in particular but really any comments or suggestions or thoughts you have about requirements for officers and directors and how we define that we would greatly appreciate those comments.

And we're going to talk about consumer protection and I will remind you again of what Governor Brainard said at the outset, much of the rule writing around consumer rules has been transferred to the consumer protection bureau and they are on a different schedule for reviewing those but nonetheless I wouldn't be overly concerned if you aren't quite sure if the agencies here continue to have rule writing responsibility or you're not quite sure about that, the comments are welcome and if it is not within our remit we will certainly pass them along and want to hear what you have to say.

And then the other topic we're going to talk about is CRA the Community Reinvestment Act. We will have a fourth panel coming to talk about community reinvestment and consumer issues from a community perspective so we're going to very much focus in on hearing the banker perspective in this panel and that should give us some good interaction moving into the last panel.

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So we'll get started and I'll just give some very brief introductions of our panelists the materials in the folders has a lengthy bio for each but the first we're going to my left is Bob Franko.

Bob is the President and CEO of First Choice Bank which is a \$625 million bank in Cerritos, California, a long experience in banking and community banking as well as other positions in real estate development and some experience overseas.

But I think the most interesting thing that caught my interest in his bio is he's also in addition to a banker is also a strained as a dentist.

And, founded the doctor's bank which focuses on providing --

>>> But more painful.

>> MARYANN F. HUNTER: I was thinking how many bankers over the years have said I would rather have a root canal. Bob may actually shed some light on which is better. So I thought that was fascinating. So we can, thank you Bob.

Welcome.

Dan Myers is director and chief executive officer of Bridge Bank and bridge capital holdings that organization was formed in 2004 and he's been in commercial banking for 28 years all with independent banks and businesses in the Silicon Valley Bay Area and I think at an earlier comment you mentioned you really like to do a lot of work with entrepreneurs and people doing innovation so think you'll be hopefully you'll have some thoughts on how our regulations either hurt or maybe get in the way of fostering innovation.

Next we have Steven Buster.

Steven is the President and CEO of the Pacific Mercantile Bank which is about a billion dollars in assets also with 40 years banking experience as well as large institutions, smaller

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institutions, and has a connection to the USC campus right down the road and we know that you'll represent that very well here on our panel.

I thought the other interesting thing that piqued my interest in your bio is your connection with law enforcement. So we'll let you comment on anything you might see that relates to that.

Finally, on our panel is Alan Lane, President and CEO of Silvergate Bank in Carlsbad, California.

And he also has many, many years of experience in community banking as well as manufacturing and retail companies and we're certainly delighted to have your expertise as well as all the panels here today on the panel.

So with that, now I will I guess we'll turn it over to each of you to make a few remarks on topics of interest and Bob I'll turn it to you first.

>> BOB FRANKO: Thank you very much Maryann and I think that banking's a lot more interesting than dentistry, I made that decision over 30 years ago but if anyone would like to give me a chance to practice again we'll meet outside and see if I remember anything.

Our bank, First Choice Bank, is a \$625 million bank on the border of Orange County and LA County.

And we're a minority depository institution we were started by a group of Asian businessmen and women and since that time we've become what our chairman calls fusion so we're multiethnic now, Korean, Chinese, Indian and Caucasian among other ethnic groups so very diversified client base.

I would not want to be presumptive about talking about the capital rules as such but what I do would like to talk about a little bit is what I'm going to call plain-language illustrative -- guidance for banks; and I think it's particularly important in the area of capital but, to get

started I'm actually going to give an illustration of something in a residential mortgage area that affected our bank.

And, what that was in, at which our bank originated about \$10 million a month of single-family residential mortgages.

Primarily to our many of our core client base which are first-generation immigrants and many of whom did not necessarily have high incomes but for one reason or another often times it was family help were able to put down substantial amounts on a mortgage for a single-family residence.

And we were able to do a lot of those loans and they qualified -- excuse me -- they qualified in 2013 and then in early 2014 the rules changed.

And when the rules changed there were a lot of emphasis so on what are called qualified mortgages, QM or ability to repay mortgages; and at that time, there was not a lot of what I would call illustrative guidance or -- and we suffered through that change particularly because our mortgage department which was not extremely sophisticated and our compliance department which was about what you would expect for a \$600 million bank it was a good compliance people but not a legion of them and every time that they would turn every piece of guidance the ATR mortgages they came up against some level of confusion and so as we were going through it they could clearly identify the qualifying Fannie, Freddie, Ginnie Mae met the mortgages but the one that we had been doing the prior year they were concerned that they didn't meet the guidance.

As a result we were slow in address those borrowers with affirmative responses. Now at the same time the large banks that had large compliance department either because they knew the business better or because they had figured out way the loans to fit these clients

they were able to slot those clients and when we were trying to make a decision these larger banks typically were approving those loans and we missed out on them.

As a result of our inability to effectively interpret the rules we determined that it was better for us to eliminate the mortgage department. The number of loans that we had originated it was so slow that it didn't merit the cost of maintaining the department. How do I think we could have been better served? I think if we had illustrative harbor for this type of customer would be a safe harbor loan and I think if you looked today there is more of that guidance coming available over time but it's still a complex area and so even now a few months even when we eliminated that department I think it was a right business decision but that segue from that discussion into capital, in the capital area there are lots of -- there is a lot of definitive guidance in what are minimum requirements. And minimum requirements anyone who has been in the banking business means it's a minimum before they put you out of business basically.

We learned that lesson the hard way and so I think interpretive guidance it says at certain levels here's the things -- here are the levels you want to be at and to be honest our regular we're a state nonmember bank they are good in saying face-to-face discussions these are the numbers you have to be and this is where you want to be and this is what you should try to strive for and this is where you never want to be. So in many ways that's very helpful.

I think we're able to do that pretty effectively. I think there are a number of banks, I had a number of friends whose banks out of business. They really didn't grasp that as well as I hoped we did and our board did but we had a lot of sophisticated board and a lot of bankers.

And one of the areas where I think that there is right now their regulations for capital stress testing and it's important for the large banks they have these sophisticated stress

testing rules but for smaller banks like ours that's not a requirement. I think you are sort of encouraged to do and capital processing there is not a lot of guidance.

I think that being able to help do capital planning with clear guidance that says here are the things to look for in the capital area would be a big help to senior managers and boards of banks particularly smaller banks because today the market is very good. It's easy to raise capital. Our bank we grew faster than we expected. We raised \$10 million in new capital by the third quarter we had grown enough that we looked forward and said we're going to need new capital and we raised almost another \$9 million so it's relatively easy to raise capital today but it's important to think about what would happen if maybe when is the right answer the next downturn comes.

When we look at how much capital would be enough capital then that's where the stress testing comes into play. And I think if we don't have good guidance for the smaller banks to go able to go and do that I think we leave that open so if there is any single message give us illustrative guidance on the capital side particularly in that area.

The one thing I'll talk about for a minute there is the asset liability. We have very sophisticated management programs. We test interest rates sensitivity we look at the economic level of question it. It could be carried over into the planning area and I think a bank like ours does that but I think it's a good thing to make sure that other banks are doing. I think it would be helpful for them to make sure that they are aware that the next time it comes up you want to be ready for the downturn because capital at the end of the day is a critical component that will keep you healthy and alive. Those are my comments.

>> SPEAKER: Could I ask one follow up question? So when you were talking about some of the mortgage rules and kind of the it sounded you were really pointing out the uncertainty around the rules caused you to pull back from even offering the product is there

-- I guess I'd be interested to hear how you would consider the consequences of a mistake. In other words, you could get into something and you might make a mistake.

>> BOB FRANKO: You make a loan you don't have clear safe hit and run or rules and you find out that if you want to sell that loan it may not be sale able. Two, if it's not structured correctly, it may get classified or criticized you have to mark down the value in your books either directly or indirectly or in the worst instance there was a horror story about the fact that borrowers might be able to say you should have known I would not be able to repay that loan and therefore they can walk away from their obligation under the debt so there was a lot of uncertainty related to those things and you could never get to the point where somebody could say with definitiveness that we felt we needed that those things that that wasn't the case. In some cases obviously you could but there were many.

In a commercial loan you could go out I heard one of the bankers saying I'm used to saying how do we get it done not that we can't do it. In a residential loan it's a lot harder to say how can we get it done? Because if you don't know all the rules, trying to make it work may not make it work. So that was our worry.

>> MARYANN F. HUNTER: Dan move onto you.

>> DAN MYERS: First of all I want to thank Kay for extending the invitation to allow me to come to you folks on a process that I see as critical to the continued success and really long-term relevance and competitiveness of the community banking sector. Before I know any further I'd like to apologize in advance. I think I was a last minute add to the panel and really time challenged to read all of the components of what I was supposed to look at so necessarily I'm going to keep my comments very broad and very high level but touch on some of the basics of what this panel is supposed to focus on. Thank you. I will proceed.

Before I get into my specific comments on relevance and competitiveness and they'll be expressed in the form of impact from a perspective that I know best which is my activity within Bridge, a couple of things for context. One is when I first got into this industry 32 years ago I had some fabulous people I worked for including my mentor that made sure I understood my job in that bank, in this industry came with specific obligations to the community.

Community banks do hold a special place in the community, we have a supportive community, we use community resources we get our charter from government organizations.

And we need to discharge those responsibilities and I believe that then and I believe that throughout my career.

That hasn't changed.

At the same time, community banks most them like Bridge are for for-profit organizations and we have to compete.

A little bit about Bridge we're a billion seven business bank we're a pure business bank all we do is work with small business owners and entrepreneurs to help them succeed in their market, whether it's an existing market or whether they have to create it on their own but ultimately in the long run their success depends on their ability to complete and compete in an increasingly complex market.

That's our job.

Yes we loan money, we take deposits we do all of that but essentially that is our mission and the obligations through regulation that we have in the relevance and the competitiveness are tied from our perspective.

It is only strong capable banks that can best discharge those obligations that we have as community banks.

So, in that context, again over my 30 plus years in banking, I've been through I think at least three cycles of deregulation followed by reregulation and so on.

I think we're you know clearly in the reregulation phase.

And, performing to obligations under regulation to your community and being competitive are not mutually exclusive it just means they have to be in balance and a critical component is smart, effective, well-thought out, well-applied regulations which aye never met a banker that wouldn't agree that that's a big part of the job.

In this period of reregulation, my concern is there's an imbalance.

It manifests itself from our perspective in two ways -- one it it's already been mentioned several times an increasingly high volume of new regulations in our bank. We have one person full-time tasked with the job of what we call "change control" and their job is to look at new proposed rules coming in, in addition to bulletins in addition to financial institution letters and in addition to all kinds of other all very helpful communications.

But the volume is very, very high.

And, to take each one, analyze it, determine whether it applies to you and then how best to discharge the responsibilities to comply is a growing and increasingly expensive task.

In addition to the increasing volume of new regulations, there seems to be a trend towards expanding application of existing regulations.

That also has the same effect or one full-time FTE change control person is completely saturated. We're looking at doubling up and getting two now.

When you add the impact of those two trends that we see, within Bridge over the last year, we've seen over a 10 percent increase in aggregate net or non-expense cost. Approaching almost \$2 million for us.

Now, we comply, that's good, we fulfill our obligations but what I see is a lost opportunity. With that same resource I can deploy up to 20 Bridge Bankers to work the community torques help small business owners and entrepreneurs meet the right people, get funding, start their business, and we'll start what we call the virtuous cycle in Silicon Valley, start a business, high value jobs, pay taxes, so on and so forth.

So there's a hidden cost and it's not a little one for banks like Bridge the focus in the business sector.

So that's on the financial side of things.

I'm also concerned about the nonfinancial impact of the increasing trend of regulation and expanded interpretation of existing regulations and that's on the area of talent.

I think in our industry there was never a time where we're in the highest need.

End part and it is increasingly difficult to recruit the best and the brightest to come in and boy have we tried and I'm situated in Silicon Valley, yes commercial banking overall is boring but if you're close to the text side some of that sexy shine runs off but even that is tough to overcome, to have a conversation with a graduate from top flight school, commercial banking is in the basement in terms of the priority of what they'll consider for their career if they want it to be in finance.

And so, to the extent that any additional rules and regulations that bear on being not only a director or an executive officer but now even a production level person in a community bank is an important consideration for those folks as they make their decision -- is it commercial banking or is it something else?

And, we really need the talent.

So I said I'd be brief. Those are my observations and concerns and thank you for your kind attention.

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>> STEVEN BUSTER: I want to thank Maryann for introducing all of us.

>> SPEAKER: We really need the talent so those are my observations and concerns and thank you for your kind attention.

>> SPEAKER: I want to thank Maryann and she mentioned a couple of things my connection with USC and my connection with law enforcement and those who graduated from Notre Dame my connection with law enforcement is not as a criminal. In fact, I was the chief operating officer for the Los Angeles district and I've been the captain of the sheriff's air squadron.

>> SPEAKER: You realize that there might be a difference of perspective?

>> DANIEL P. MYERS: We were not having slides today and I've taken things into my own hand but I have something to show you and this is it. It happens just a few blocks from here is the public library. You'll see a number of signs on these posts and it instructed me that these signs were so complex and I could not figure out if I could park there or not. The bottom sign says passengers loading only 6:00 a.m. to 12 midnight. The next one says temporary tow-away Monday through Wednesday. The next one says temporary towing Saturday 7 to 10:00 p.m. the next one above that says temporary towing Thursday and Friday. The next one above that says one hour parking. Above that no stopping 7 to 9 and 3 to 6:00 p.m. except Saturday and Sunday and the top one says pay at the meter station just down the street. My question to you is if you come Sunday morning at 8 o'clock and want to park for an hour may you? And if you do, must you pay?

If you think this is complex, try being the president of a bank. The analogy is really quite remarkable. I think this is a golden opportunity that only comes by once every decade to try and reduce the complexity of regulations and to make a true yeoman's effort to fix the problem.

In my 40 years of banking I have not seen a more burdensome environment in which we need to operate. I don't know who is to blame. Blame is massive and can be passed around to many. It could be greedy, unethical bankers. It could be greedy unethical mortgage bankers, overzealous regularities. Unrealistic public regulations of what the banking industry should be doing and reactionary politicians to their constituencies. So I don't know who to blame but I know it's a very serious problem for our industry including the regularities.

So now we look at Dodd-Frank rules and regulations is being added to. In a recent board presentation we did in preparation a detailed analysis of the cost of compliance in our company of \$1 billion in assets. It was startling. We took all of the relationship managers and we went down to the detail of how much time is related to the compliance and regulatory issues. We have full-time people in the compliance department. We have people like Steve Buster the CEO who is in charge of overhead and allocating my overhead and what time do I put in compliance? What time do all of us put into compliance? It added up to 18% of our total operating cost. Never has it been anything like this before.

So we wonder why is shadow banking successfully taking market share away from our industry? Where are their expenses in trying to operate in a client way? We are going to lose our value if we can't protect these franchises. I believe in regulation. I believe in quality banking. It must be done because it's a matter of trust and confidence to the community that your bank is a quality institution where you can put your money but if we are the only ones burdened in that operating cost and others can run circles around us we will lose our value added.

We had a safety and soundness exam in July. The request list in prep for that was 29 pages long. So we filled it out. There were two binders four inches thick. And in those binders were four reams of paper 500 each rim responding to the 29-page list of requests. So

we calculated the time to prepare that. In human hours it was 200 hours over two weeks and a lot of the bank was taking out of their productive functions not that it's unproductive but the regular productive functions to fulfill the requests. Who have who reads this stuff? I don't know who could possibly read this stuff. We are now preparing for our CRA exam in January. There are three distinct and different request lists that will be coming to us. So for the compliance exam the first 1 was the initial request list and it's followed by one week in the bank with examiners. The second request list following that one is coming up now 21 items.

>> STEVEN BUSTER: The second request list following that one is coming up now, 21 items and we'll be -- pardon me 86 items and we have put that together, there will be a second on premises visit in December.

I don't know how many days that will be but I will guess something similar, three to five days, and then it's followed by the final exam with the final list yet to be determined.

Pacific Mercantile Bank was for a long time in the mortgage business we were doing 25-30 million a month fairly significant part of our operation.

Our -- we mainly cater to small and medium sized businesses, entrepreneurs. I think you would all know they're very complex in their tax returns, their sources of income, their investments.

They're sophisticated people.

And they have very complicated sources of income.

In order to prove the ability to repay, it was an overwhelming task and very painful to our borrowers to try and put it together and make it a qualified mortgage.

With all its associated benefits.

Frankly, we just found it was overwhelming to try and stay in compliance and we had many, many issues.

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One of the issues we had was -- by the way for any banks that more than one compensation structure for their originators or mortgages, strong suggestion -- don't have any more than one because if you find out that they generate anything more in one community than another, you're in very serious trouble.

You need to have just one.

We concluded that we absolutely had to reduce our regulatory risk profile.

At great pain we had to let go 110 people, and close the mortgage business. Many people will not be served.

With the complicated sort of borrower that we have in Southern California, in our segment, I now am absolutely delighted to refer them to Wells Fargo or Bank of America to get their mortgage because the process is so horrible, they can't wait to come back.

And do the rest of their business with us.

The Bank Secrecy Act.

I was thinking about the name it's so politically correct isn't it? Shouldn't it really be called the agencies police acted of all information from the banking industry?

The Bank Secrecy Act is very complicated.

Can you all remember what it was put in for? It was originally established in order to expose drug dealers, money laundering a worthy cause yet we now are reporting any transaction in cash of \$10,000 or structured cash that would amount to \$10,000 or more. And I ask you what self representing drug dealing takes cash out of the bank. They don't. They want to launder money into the bank and so definitely it expanded from its purpose. So now our industry is charged really with being the helpful police for really all agencies of the Federal Government and it's a very burdensome and difficult task to do. I really feel it can go in directions that were not intended even further. You've heard of operation choke point I

was in Washington D.C. in my last trip and they must close certain customer accounts because they were at risk of BSA

Examples a couple of them mentioned payday lenders. Perfectly legal businesses but it was determined that they perhaps weren't in the interest of society in general and so they were asked to close their accounts. We had one chap from the south who described a 25-year relationship he had and he was ordered to close it and it was a cigar shop and lounge not considered to be good in public interest and they were asked to close their account. The regulators asked them to close the account. In our case we had a very, very well to do and balances ammunition distribute for and we wanted to take it on because we were anxious to get a very increasing amount of deposits and then we learned that they were being forced to close their account at another bank because of BSA concerns and regular concerns. They are more regulated than banking is ammunitions and guns. So I think we need to be very conscious that there are expansions of BSA that are going to become ever increasingly burdensome if we don't think about where it should stop and the limits that it should be put. The latest I understand Vincent is thinking of requiring banks to know all the parties that own a corporation when it's closely held I would imagine it would be the limitation but they want to know who they are and they want to do a check on who they are limited partnerships and whatever and report that so that we can do whatever they do with that information. This is going to be a very difficult task.

Flood insurance. There is something fundamentally that tax payers should sub as I dice insurance in high risk flood areas that are dangerous and otherwise uneconomic to ensure. Why are banks faced with very excessive fines and penalties if they are dumb enough to lend on structures like that without insurance. What happened to the free enterprise system that works out through supply and demand? What would be insured and what would be lent on?

It is on supposed to be in a free enterprise business self correcting. So we had bigger waters, water floods acts but there are some things that need some cleanup and now we have Homeowners [Flood Insurance] Affordability Act of 2014. How about taking another step and questioning whether or not we should be forcing un-economics to structures and insurance have we ever thought of going private? I think it would be a swell idea.

Community Reinvestment Act. It's been a lightning rod for many banks and constituents over the years. It has I think an important purpose the intent of CRA and community bankers I know are very mindful of their communities. But there doesn't seem to be any guidelines as to when a bank has met the threshold of compliance in other words, they are done and they have done enough and it's adequate. The guidelines have not really been established for that. And I think it would be helpful if we design some sort of matrix that based on the size of the bank and based on the community and well maybe not the community, the size of the bank and the business focus of that bank of what should be required in CRA so that there is more definitive guidance on what we need to do but also, of course, the age old thing a community banker keeps mentioning shouldn't it be a flat playing field. Why do credit unions and others don't have CRA and we do and they are serving the same communities and why is it the shadow banking community isn't going to have the same things and we are?

Directors, officers and employees. I want to caution against ever increasing expectations of the capabilities of directors and the requirement to go deeper into the data day activities in the bank and the knowledge they must have.

Directors are afraid. Lawsuits have been abundant in the past and there are so many wise investors. We need to be mindful of this. And I would hope at some point there can be some sort of limits or structures put on it so that they don't have the unlimited liability they

do today to detract the interest of their service when they are wise and respectable people in the community.

Well, to repeat myself, I just think we have such a wonderful opportunity it comes only once over ten years to try and consolidate, fix, repair, these are some of the concepts that I would be thinking about and I'm delighted to share them with you.

>> SPEAKER: Thank you very much.

>> ALAN LANE: Well, I think I might be the last banker before we go to the last panel and hear from the community. You know as I was sitting here and listening to Bob and Dan and Steven and I was listening to their bio there is 100 years before me and I don't know what I can add.

And in hearing discussions about the challenges with residential mortgage lending comments that Steve made on CRA they have dovetailed really nicely that I had prepared this afternoon and I will want to start by sharing two weeks ago, a brief article in the November 19th edition of the Wall Street Journal caught my eye. It was named "Five reasons to still go into a bank branch." And I check it out and here is what the Wall Street Journal thinks for us to go into a bank branch:

1. Purchase travelers checks or money orders.

2. Get a document notarized. I see these people driving down the freeway with a big sign that they will notarize.

3. Get \$1 bills or maybe \$100s.

4. Get in-person assistance and advice.

For us community bankers that is where we live and breathe.

Thirty years when I started my career in banking as a teller most of our customers went to:

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1. Deposit or cash their paycheck.
2. Withdraw cash.
3. Transfer money from checking to savings, or vice-versa.
4. Open a new account or apply for an auto loan or home loan.

Today with deposit the ability to open bank accounts and apply for credit online there aren't many reasons to go into a bank branch anymore.

I got into banking in 1981, four years after the Community Reinvestment Act - CRA - was enacted by Congress. Back then nearly all banking was local and branched based. The community bank I went to work for in 1981 was headquartered in San Diego County, had 18 branches and approximately \$400 million in total assets. Fast forward to almost 30 years to 2008. I once again found myself joining a San Diego headquartered bank Silvergate Bank also with almost \$400 million in assets. But there was one significant difference Silvergate Bank only had four branches not 18 supporting that same asset level of \$400 million. Today, "banking" is mostly virtual, increasingly national or even global, and often not even done by banks. Steve mentioned the shadow bank industry. Nevertheless, CRA's focus remains local and it still emphasizes branches.

I'd like to share with you some of the challenges we faced at Silvergate over the past few years in our attempts to help address the nationwide reduction in mortgage lending resulting from the global financial crisis, while maintaining a satisfactory CRA profile.

In 2009, Silvergate recognized that due to the financial crisis, many banks had exited or were significantly scaling back their mortgage lending activities, both conventional single-family residential mortgages and FHA insured reverse mortgage loans, and these actions resulted in a tremendous unmet credit need on a national level.

Given Silvergate's capital ratios and earnings history, our successful 2009 launch of a mortgage warehouse lending operation and our centralized and strong compliance culture we felt that we were uniquely positioned to fill at least a portion of this credit need in a compliant and consumer-friendly manner.

In exploring this opportunity in 2009 and 2010 we ran into regulatory roadblocks, particularly of the CRA context. The credit need was on a national level, and the volume needed to offset the significant compliance cost required national production.

Our analysis of the opportunity indicated that a significant percentage of our projected production would benefit low to moderate income individuals and geographies; however, much of that production would not be reflected in our CRA performance because it was largely out of our assessment area as we find where we maintain brick and mortar branches locations in Southern California.

We spent significant time and resources investigating how to fill this credit need without negatively impacting our CRA performance. This investigation led us to consider two alternatives: Forming a bank operating subsidiary through which to conduct our mortgage lending operations; or pursuing approval of a CRA strategic plan.

The process of determining which of these alternatives would be best was particularly challenging as definitive answers to key questions of substance and timing remained elusive in our dialogue with our primary federal regulator at the time. However, the only way to get beyond those effects was for banks to return to more normalized lending levels and we stood ready, willing and able to do so.

In late 2011, we began our mortgage lending operations with an initial focus on reverse mortgage lending. We invested significantly in making our program one that benefitted and protected borrowers, including a focus on adjustable rate lines of credit,

which provide borrowers only the funds they actually need at the time of closing. We also created and implemented comprehensive correspondent approval and monitoring procedures.

In mid 2012, in order to maintain our satisfactory CRA profile at the bank, we formed an operating subsidiary through which to conduct our mortgage operations, with plans to expand into "forward" mortgages (traditional, nonreversible mortgage loans). While forming this subsidiary was fairly straightforward, obtaining the individual state licenses required for a non-bank subsidiary of a bank to conduct lending operations in various states took the better part of a year, and it was not cheap.

However, during our first six months of production, we found that a significant portion of our lending was benefiting low and moderate income borrowers and geographies nationally, so we believed we were on the right track from a CRA perspective.

In 2012, we also made the decision to become a Federal Reserve System state member bank, in order to achieve some efficiency in our federal regulatory relations and oversight on a consolidated Bank & Holding Company basis.

We noted with interest in our discussions with both the FDIC and the Fed that the Fed member, that the Fed appeared to have more experience with CRA strategic plans, at least within our region. Therefore, in 2013 even though we had already incurred the expense of forming a bank subsidiary through which to conduct our mortgage operations, we began drafting a CRA strategic plan which, if approved, would eliminate the need for that very same operating subsidiary.

I'm happy to report that our CRA plan was approved earlier this year. Under our strategic plan, the bank has also launched a non-qualified mortgage single-family residential loan product, designed to fill a credit need for borrowers who have trouble providing the

"traditional" documentation required for qualified mortgages. The underwriting processes we require of our correspondents of our nonQM product validate the borrower's ability to repay through a multi-layered verification of income and assets. This has especially benefited self-employed borrowers where the traditional documentation required for a mortgage does not reflect the actual income available to the borrower for repayment.

Over the past three years, Silvergate has provided several hundred million dollars of residential mortgage financing, and a significant portion of our lending has benefitted low and moderate-income borrowers and geographies nationally. With our CRA strategic plan in place, we are in the process of winding down the operating subsidiary we formed just two-and-a-half years ago in order to maintain satisfactory CRA compliance.

The very fact that "little" Silvergate in San Diego has been able to reach across the nation with our residential mortgage lending programs is proof that banking is no longer local, nor is it branch based. A bank's deposit base today is more likely to transcend the communities where its physical branches are located. Consumers are more heavily reliant on web based and mobile technologies to conduct their financial transactions.

The Wall Street Journal article I referenced at the beginning of my remarks reflects this change in consumer behavior, as not one of the top 5 reasons to visit a bank branch had anything to do with depositing or withdrawing money nor with applying for a loan.

The current CRA regulations are still very locally focused, which puts community banks at a significant disadvantage in being able to provide much needed credit outside of the boundaries in which these banks maintain their physical branches. We believe that more nationally focused CRA regulations would enhance the ability of banks to provide credit facilities, investments and community development lending on a broader geographic scale, which could have a larger impact on low and moderate income individuals and geographies,

where access to credit may be less available due to lack of financial institution presence in those areas.

In closing I heard an interesting quote yesterday at a bank innovators council meeting which was: "Banking is no longer somewhere you go but something you do." And I think that really speaks to the fact that I think when we look at CRA and I recognize that this is a politically charged topic and one that quite frankly you folks can't do much about and every year we have more Qs and As to help navigate through this. I appreciate the opportunity. I look forward to continuing the dialogue.

>> SPEAKER: Well, thank you very much. Thank you to all of the panelist and I know we have a few minutes here where we can take questions or comments from the audience and while you are getting up your courage or maybe getting over the cookie you had over lunch I might ask one question Alan particularly to CRA the banking Mobil world is there anything specific of how we should think about CRA in order to move to that world? Any specific suggestions you might have?

>> SPEAKER: I think that the concept of the strategic plan when we first started looking at it and looked at the banks that had one in existence I think I have a spreadsheet and most of them were industrial loan companies headquartered in Utah. Auto lenders and those kind of things they had the need to satisfy CRA so the CRA strategic plan was for them to comply and that's why we looked at it and this is a little similar in that the residential lending is nationwide but most of our deposits are local however increasingly with mobile banking apps you can get it anywhere. Between the apps that we have in our phones and tablets people no longer need to go to a branch to open a bank account so I don't think we need to be focused on. I have a competitor I can see his office from the window and his entire office is online. So he doesn't have any branches.

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>> SPEAKER: Any comments or questions? Is there somebody at the microphone? We do want to ask questions at the microphone if possible

>> SASHA WERBLIN: I would love to talk on the CRA and so I will take this opportunity to talk about talent. I think Dan you mentioned kind of it's pretty difficult to bring in new talent to the banking sector and I work for an organization called the green line institute and we focus on diversity with many different sectors and I hear this a lot about difficulties with recruiting talent to the sector and you use some language about best and brightest, top flight schools and I wanted to ask a question and also provide a comment for you. You know, I'm interested to know your definition of a top flight school but what I often see kind of the traditional banking mindset folks are picking from other banks so you are really just swapping talent throughout the banking sector.

There is a huge age gap with folks that are working at banks. Banking isn't secondly anymore. So how do you make it sexy and how do you reengage folks? Top flight school where you can train young people to really engage in financial literacy and fitness and also then integrate them into the business so that they can become the new loan officers.

I was a canvasser and one of the things I realized is that they have a very tailored way. Your sole focus is to build trust in five minutes and there are a lot of great skills especially young people of color are learning from the canvassing sector that can be applied to the lending space so my question to you was kind of your definition of top flight and have you thought about other approaches that may be step out of your traditional network for recruiting and look at new opportunities that would align with some diversity opportunities for the bank. Sorry. That was pretty lengthy.

>> SPEAKER: On the top flight school issue I don't want to appear to...

>> DAN MYERS: My lone view on school is it's what you make of it, every school can be a top-flight school.

The way we've dealt with the talent issue at Bridge is you write traditionally you go to the market you find someone who's had market experience and you bring them in.

Because we have a very unique strategic position in the market that hasn't sufficed for us, so we've been recruiting out of schools for ten of our 13 years and as a byproduct of that, we did fund to my knowledge the one and only still in the United States chair for the continuing studies of commercial banking at San Jose State University which gives us first crack at their emerging undergraduate and under-- so we have a team every quarter to do a special project and we establish a team of folks and make decisions on who to hire in.

And that actually is a third of our bank right now so, we're a young crew, it's always a challenge to keep them engaged though because there's always alternatives out there, particularly in the Silicon Valley area where we're putting on new jobs at the rate of 70,000 a year.

A lot of those outside of banking that quite frankly pay more.

So, it's to keep them engaged, productive, excited about really the obligation, the special place a commercial bank holds in the community.

Appeal to their sense of contributing to the community that's what really holds most of our folks in place. Yeah the money's important but that's the ones that actually stay five, ten years plus. That certainly has been the case with me.

>> SASHA WERBLIN: Thank you.

>> MARYANN F. HUNTER: Dan just say short follow-up on the talent question I mentioned in your remarks I think you had a cautionary note about if there were regulatory

requirements that might make the -- this younger or the next generation of bankers choose to look at it elsewhere, maybe not appreciating the world of rules and requirements.

Is there anything specifically or any particular rules that fall on that group of people when they're first -- you know theorist bristle at the most that we have we should have in our sights?

>> DAN MYERS: I can't offer a specific aspect of a new or existing -- I remember when I got my first job in banking I just wanted to know how much I was going to make and can you teach me a useful skill set so I can take care of myself, make my parents happy? That was it.

Folks coming in today they're sharper, they've more aware, they get all their news on their mobile device 24/7. Our industry has been in the news far more than it should be for years and they're asking sharp intelligent questions.

They know about heightened regulations. They know it may target their employment relationship, they're very compensation with their employer, and they're asking about that and that's a very tough conversation to have, especially when you can't answer with specifics.

>> MARYANN F. HUNTER: Thank you. Next question.

>> AUDIENCE MEMBER: Good afternoon again, Charles Dorsey, of core CDC thank you so much for sharing some of the challenges that you have as the leaders of your banks both community and otherwise.

There's a little concern because the conversation suggests that the compliance that is being required is costing more than it should.

And that's happening in the same conversation with the word community.

And I think that there's a way for us to find a way to, first of all, deal with what the definition of community really is.

Well in community banks they are the label community, our expectation is that those community banks will not only be in the community but be well-versed about the preferences and needs of that community. And I think sometimes the conversation's happening as I said before without the community in the room.

I believe that there is enough resources in this compliance conversation to create a platform for some of the leaders to listen to the needs and see and meet the people that are actually in the communities; my question is are there any proposals on the table to actually bring the community members that can most benefit, particularly when we're talking about small businesses particularly when we're talking about talent management, particularly when we're talking about CRA.

One of the challenges is when we're talking about CRA most people hear money, but what about the faith-based force that exists in these communities.

So I'm asking are there any proposals on the table with the community bandages to create some kind of advisory council or some kind of way to make sure that when you're having these conversations the definition of community is actually accurate to the people that you're communicating with and on a day-to-day basis?

>> STEVEN BUSTER: I can tell you that we talk a great deal in our bank about what's called "the virtuous circle."

The fact is any community banker knows it's good business to be very engaged in your community. We know this fundamentally. That is part of what attracted us to this industry in the first place. We talk about our virtuous circle, we have a compass basically with four points on our pins.

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The first thing we take unlike big Wall Street companies the first thing we take care of is our people. We feel if you're engaged with your people, you treat them well, fair, equitably, that you will gain by continuity, longevity, and dedication to your company.

It's not shareholders value first.

We talk about people in the company and taking care of them almost look a family, that's a community bank, not uncommon.

They, in turn, the second point of the compass, take care of their clients.

Now we're looking for opportunities where high value-based companies, ones that live by our sort of values, they're respect in the community and they need businesses that need financing and we invest in those long-term, a beautiful part of why you don't mark to mark all your assets all of the time is we invest in those businesses for longer term, we have short-term deposits; and so, our people because we treat them respectfully do the same thing to those entrepreneurs and businesses that make the community successful.

And that's the straight point down on our compass is the community itself so we tell our people you must contribute time, effort, invest in the community, join charities, help businesses and this virtuous circle continues on and the last point is shareholder value.

The fourth point because if you keep your customers and they have good values and they invest in the community and they create jobs and our people are invested in the community and working in charities, that dialogue is going all the time and coming back and ultimately your shareholders gain from that longevity across sales of various products that they'll need from your company and you can loathe that and help grow in the long-term.

I think we couldn't be more engaged in our communities.

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I don't think the dialogue could be any higher and forcing certain things to happen because you might have we know intuitively now believe me it's top-notch in community bankers that they must meet -- and they do.

>> MARYANN F. HUNTER: Another question?

>> AUDIENCE MEMBER: I'll address the topic of consumer protection.

In my opinion the Federal government doesn't get an A not even an F it gets as not one person has gone to jail because of the huge financial thievery that has gone on over the last few years, not millions and millions, trillions of dollars and no direct or no officer or no employee has been properly identified as a wrongdoer. Now I want to know why has that not been done and why can't those people be barred from any employment in the finance industries?

>>> Any answers?

>> MARYANN F. HUNTER: Question is related to I guess asking about follow on from the financial crisis accountability for individuals who may have had a role in any of that. That's -- I'm not sure that that's necessarily one that this panel could answer but anybody want to make a comment? Bob.

>> STEVEN BUSTER: I'm not a prosecutor anymore but I do know that banks that are in compliance believe me the penalties are huge they are being punished and have been punished, extensively. So from the standpoint of our institutions we're very knowledgeable of this and I think there are ramifications from not being in compliance.

>> AUDIENCE MEMBER: Well I haven't seen much consumer protection from the outcomes. As I mentioned before the great implements people who lost their -- got \$300 compensation that's not consumer protection.

Anyhow I'll leave it for you to think about.

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>> MARYANN F. HUNTER: I think we have one time for one more.

>> AUDIENCE MEMBER: I'm melody winter head. And I've been listening to the conversation I almost feel like it could have been two different panels.

You know or two panels with the same speakers. So the concern that I see in my -- with my constituents and they are bankers they're CRA officers they're community development officers they're community development financial institutions they're CDCs they're local governments they're academic institutions and what I'm seeing is that they're really getting the concept of what might be sort of collaborative action or what we phrase here "collective action" and I think what's really needed by the senior management of banks is more recognition of the need to work together.

And to have your CRA officers, in particular, participate with community groups on some cross-sector solutions to needs.

What we're talking about here today is really not anywhere close to the depth of the issues and the needs that are going on in the community.

And our concern here at the Federal Reserve Bank and it relates to we'll call it CRA but to us it's really about community development it's not just the act it's something much bigger it's really digging deep into what the issues are in the community so what we're looking at is promoting that cross-sector work; but we find that it's not even we don't get the time to spend with the community development or CRA staff at your banks and it's because they have a lot to do and they don't have help.

So I think what I'm asking is whether it's the CRA officer or someone else in the organization that there be sort of a new pair of glasses applied to how you look at what community engagement and community development involvement really means and I'd love the opportunity to work with any of your organizations and I can tell you as I look at your tags

there and I look at who the banks are I know who your CRA officers are and they do good work.

We want to see more of it and have it really go dig deep into solutions that are sustainable and not just one-off projects and not just grants -- heavier investments. Thank you.

>> MARTIN GRUENBERG: I did want to raise a question with Bob Franko this thought you raised relating to illustrative guidance, could you just give us a bit more detail as to what you have in mind with that?

>> BOB FRANKO: Well to the extent that things can be put into relatively plain language and what I mean by that is let's take for example if we were to talk about stress testing. You know that's really not a requirement, so let me just address it because we do it in your bank and for instance we spend a lot of time and there is a lot of guidance on asset liability management, interest rate, risk and stressing the portfolio against certain things and yet we don't have any modeling anything than what we have self created relative to what if what happens if interest rates rise. If we do separate stress testing for the credit portfolio again we raise interest rates there and it could cause credit risk or stress in another place and then ultimately if somebody starts outlets say we have eight percent guidance credit capital and we have both of those things where capital gets under stress and it gets down to six percent or 5 percent puts you into a regulatory. In that sort of situation it may be impossible to find and expensive. If I have a chance to think about that and if the board thinks about that two years ahead of time they can say rather than say well why I have more than 10% because it's too hard to leverage it makes sense to have 12 percent because if we go back through that we still end up with eight and we are not out of business.

I don't think a lot of folks thought about that coming into the last recession. I think that was a big part of why tarp had to place and a lot of people got forced into it. If it were within the industry it could become a self regulating mechanism and that's just one example but anything where a board and a management can say okay I open it up and read ten pages and yeah I get it and they can go and start to model it themselves and then follow up with that it would be refined through seminars like a see the CBA and those guys would put seminars to implement it throughout the organizations.

Smaller banks don't give necessarily as much -- don't understand the importance of capital until it's right there looking down their throat.

>> KAY KOWITT: So I'll add my thanks and we'll take a 15-minute break. Take a 10-minute break and start at 2:15 p.m. with the community and consumer group panel.

[Break]

[Resuming at 2:15 p.m.]

2:15 P.M. – FOURTH PANEL: CONSUMER AND COMMUNITY GROUPS DISCUSSION

>> KAY KOWITT: Okay our fourth -- sorry -- our last panel will be discussion with representatives of consumer and community groups and Maryann will sit in for Dr. Brainard. So I'll turn it over to you Barry.

>> BARRY WIDES: We're going to be discussing the EGRPRA and other subjects we've talked about today. We have a distinguished organization that we have invited to join to hear their views.

We'll start with Kevin stein who is the associate director which comprises 300 organizations focusing on serving low income communities and communities of color. Include

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housing counselors, legal service providers, affordable housing developers and assistance providers. Mr. Stein works on housing and home foreclosure regulatory and public education.

Next we'll hear from Sasha which is in The Greenlining Institute. Leadership institute working on racial economic justice. It works on a variety of issues environmental policy and civic engagement. She works to build communities of color.

Following her we will hear from Edmundo Hidalgo. He has served as president and CEO since 2008 and his leadership has led to double digit growth and he has made Chicanos throughout Arizona particularly in low income Latinos communities.

And Faith Bautista serves as the National Asian American Coalition. It advocates for social power of Asian Americans. In addition, Miss Bautista is in the Filipino channel and discusses small business lending and consumer protection. Kevin, start us off.

>> KEVIN STEIN: Like my wrist the system is broken. We try to keep it a little lively. We lost a few people so thank you for those who stuck around and thank you for the heads of the agencies we appreciate you coming out and having this consumer panel.

There has been a lot of consumer discussion. A few points of agreement that I heard earlier just by way of getting into my remarks there was a comment about CRA should be extended for those who there is no CRA like for credit unions. There was a suggestion that regulation should extent to the shadow industry and we fully support those notions but we're here to talk about the bank regulations and I think I would make one point expressing some frustration around accountability for a lot of the abuses that we have perceived have occurred in the last several years.

There are two pieces to the puzzle we need better rules and maybe we will update them or streamline them but we also need enforcement and what are you do through this process we hope that you vigorously enforce the rules that exist.

Our main point is this is about the outdated group. The rules are out dated and the implementations of those rules are outdated and do not account for the changing nature of banking and how that changing nature of banking has impacted communities. I want to frame my comments on an existing bank merger the application by CIT group to purchase OneWest as we feel it kind of illuminates a lot of the concerns of the regulations and implementations of the regulations and we feel it has broad probability in the merger context and out of it.

Just to let you know where I'm going I'm going to mention -- I'm going to focus mostly on CRA issues and specifically talk about assessment areas the importance of bank branches over mobile banking. Take into account the harmful practices the public nature of CRS plans and bench marks. There were comments earlier for institutions to know of what is expected of them and we think we are interested in that idea but that process needs to be informed by community needs.

Talk a little bit about the merger act on comment periods. Talk a little bit about the Bank Holding Company Act and what we think are important factors, whether the importance of our age-old favorite of preemption and our concerns about preemptions and the need to reign it in and the need for some clarification.

So the CRA five issues and I'll try to run through them quickly avenue assessment areas have not except pace with banking practice. In the example of CIT bank, it's an internet based bank that has about \$14 billion in deposits and it's reinvesting those deposits mainly in Salt Lake City and we think that's wrong. We think the regular shouldn't let that happen. Deposits are taken from a non-retail branch perspective. Banks know where their depositors reside and they are not reinvesting there.

This came up earlier global technology the regulatory are interested in it. We maintain that branch presence is extremely important for low and moderate income

communities. In the case of OneWest Bank a mere 15% of the bank branches are in low and moderate income neighborhoods which we feel is low.

The industry average is 30% so they are about half. And when asked about it we'll serve low income communities through mobile banking. We have to disagree and for support we cite on a good and important report at national capacity, national council and the urban league finding that borrowers of color are not as excited as mobile banking as maybe people would want them to be. Mobile is not a substitute for branch access.

This is a point we have made for many years so in the case of OneWest we believe that OneWest has foreclosed on tens of thousands of California home owners. OneWest over the years has been among the worst rated of the services. We will hear more later that OneWest reverse service mortar Financial Freedom may be (indiscernible) had you had regulations with how to deal with non-borrower surviving spouses of borrowers who are deceased and yet none of this seems to have impacted the satisfactory impacted. I'm not sure if they have done anything to regulate if OneWest has complied with its reverse service mortgaging practice with its existing rules.

A fourth point around CRA plans we think they should be public. We hear from banks that sometimes they wish they don't have to make them public that it's up to their regularity to decide whether it's public. It's kind of counter to the idea of the CRA which is a community input process.

In the case of OneWest OneWest had a CRA plan they submitted a foyer request and lo and behold that they are not meeting the goals that they set out for themselves in the plan. The last point around CRA is this notion of benchmarks. We think that to the extent that the regularities are establishing bench marks and I guess that's the question it should be transparent and it should be informed by community needs and comments. So in the case of

CIT, CIT Bank as a strategic plan. A certain percentage of assets that if they were to hit they understand they would receive an outstanding rating. Who decides what that percentage is and how does that reflect any community impact, any community comment. It seems that it's predetermining a CRA grade so we would object to that.

With regard to the bank merger act, we think the comment periods are just simply too short.

Nobody can meaningfully -- including me, can navigate the regulatory websites or to scan legal notices to determine when a merger is happening and whether it impacts their community and whether they have any concerns about it.

So, we would call on the regulators to look at that 30-day window. We know that we are starting to hear in the context of the merger from financial freedom borrowers and OneWest borrowers not because they saw the legal notice but because they're seeing it reported in the media.

And, of course, the comment period has ended so people raise concerns well you should raise your concerns with the regulators and when they do at the Fed at the least, we'll send them a response that basically says you're too late.

It's a little more nuanced than that and the Fed says it has the discretion to consider comments but it's discouraging of a public process so we have a problem with that.

Public hearing should be the rule not the exception. It seems like it's always a struggle to have a public hearing in the case of OneWest we think there's a strong argument for a public hearing, it remains to be seen if there will be one.

But especially given the interplay between the difficulty that the public has in commenting in a timely fashion, and with all the issues, the law share, the concerns about

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servicing, the inadequate CRA plan we know that a merger in that case should be in order. But a merger should be in order in most cases where there's a community concern.

Then moving to the Bank Holding Company Act, the Fed is supposed to consider whether there is a public benefit. But, from our perspective it's not clear --

>> THOMAS J. CURRY: Just to avoid any issues in terms of pending applications with regulators if you would talk in general application not with the specific --

>> KEVIN STEIN: All could I think about is OneWest.

>> THOMAS J. CURRY: I think it makes it problematic for us we're depending on application I want to hear your comments but make them general.

>> KEVIN STEIN: Am I not able to talk about OneWest --

>> THOMAS J. CURRY: I'm a little bit concerned about whether it's an ex-parte discussion, all your comments could be applicable to any transaction so if you could just keep the comments that way it would be helpful.

>> KEVIN STEIN: Well I want to be helpful but I.

>> THOMAS J. CURRY: I understand but out of abundance of caution I think it's the better approach.

>> KEVIN STEIN: But we're already 60% of the way through if not more so the damage is done it seems.

All right, so, bank holding company acts where public benefit is to be considered we think that banks should have a strong CRA plan in place in order to establish that there is a public benefit we are concerned if public benefit analysis does not take into account the extent to which there is a public subsidy and in certain mergers we see significant public subsidy in the form of law share agreements and harp funds that remain unpaid.

And, for the last two points on fair housing, when you see the fair housing analysis in the CRA public evaluations it's almost embarrassing. I mean it seems like we hope that there's more to it than what we see but it's usually just the statement that there's not a problem.

One notable exception was the recent examination evaluation at Bank of America so we hope that's a signal that the regulators are looking at downgrades where there are fair housing and fair lending concerns that have been raised. So we really appreciate that and on the last issue of preemption this is another long standing issue, we appreciate recent efforts to kind of have a more balanced view on preemption. Our concern, of course, is that National Bank and as federally chartered thrifts have for years tried to evade state protections citing preemption sometimes we think improperly.

In California many of us worked for the homeowner bill of rights so we are especially disheartened to see institutions arguing preemption that they don't have to follow state law with regard to our anti-foreclosure and there's a specific issue that has been raised that we would ask the OCC in particular to look at and maybe provide guidance on where we have National Banks which I think are generally believed to be subject to our state law that are arguing preemption when the loan they're servicing was originated by a federally chartered savings and loan.

And we think that's -- we think that's not -- it's harmful to communities and we think it's wrong in terms of the arguments on the merits and we would urge the OCC to step in and kind of right that wrong.

And with that I will thank you for consideration of these views.

>> BARRY WIDES: Pretty good, Sasha.

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>> SASHA WERBLIN: Good afternoon. Thank you comptroller Curry, Gruenberg and other -- for the opportunity to contribute to this discussion and potentially improve the systems, regulations and data that protect consumers.

Especially those in the margins and insure they have access to the positive benefits of the financial system.

To give a little bit more context to greenlining, it's an organization that was created 21 years ago to drive solutions to redlining. The unsustainable practice of including communities color from economic opportunities. The term greenlining is actually the proactive practice of providing target access in service to communities of color.

So as an organization we represent about 50 community based organizations in California and collaborate to bring more greenlining policies.

In at the forefront of issues related to the environment, economy, health, energy, voting, telecommunications and technology.

So we strongly believe that for our nation to succeed, communities of color will have to succeed.

Based on our experience, data is the most valuable tool in fighting redlining and without the access to appropriate data redlining will once again be swept under the rug and we definitely fear that potential attempts to reduce paperwork and burdensome regulations can often result in efforts to hide the redlining that's happening in communities of color.

I do want to note that in the spirit of brevity my comments are not an exhaustive of all of the regulations included in this very long acronym EGRPRA, review. My comments reflect those of greenlining and the housing economics rights advocates which is a California statewide non-profit advocacy organization who unfortunately were not able to make it today. So I'll reflect some of their thoughts and comments as well.

I do realize that it's been a long day so I am prepared to watch some of your eyes graze over heads nod so as I delve into my comments I'd like if nothing more for you to walk away with these three points.

>> THOMAS J. CURRY: Sasha I promise you we're paying attention.

>> SASHA WERBLIN: Burdens resulting from regulation like reporting requirements and those caused by inefficiencies within the regulated companies with within regulatory agencies themselves and that's something I'll talk about a bit more. Regulatory agencies silos are unnecessary and burdensome and the CRA as a whole is outdated and needs an emergency blood transfusion.

So the bulk of my comments will likely address last point but I do want to go over my first two points as well.

So, first with further clarifying regulatory burdens, when we're viewing regulatory burdens the OCC and other agencies should take care to dish burdens resulting from burden - - and those caused by inefficiencies.

So, one of the things that -- with respect to inefficiencies for regulated companies, is something that they've seen as homeowner advocates that work on mortgage servicing problems.

They've witnessed a lot of disorganized servicer data systems and because of that -- excuse me, they're often extremely inefficient so much that a persona signed to a specific homeowners account often can't access basic information. As an example, not even being able to access how much the borrower would have to pay to reinstate the loan.

So without initiating in escalation so essentially, they don't have the basic information so they have to initiate the or escalate the case which then involves more personnel, increases the time from days to even potentially weeks to respond sponge the service areas

has actually acknowledged their various is outdated and or incompatible to one another due to newly introduced systems that are layered or parallel to other systems at play and not substantively or comprehensively integrated into their overall system that they're working with.

So, what may look like regulatory burden at first glance may be the regulated entity's own fail cultures to integrate their own data systems.

So, then in addition agency sale owes can also create increased regulatory burdens so I'll talk a little bit more about that.

So, regulatory agency silos are burdensome and often unnecessary. We've seen better coordination across regulatory agencies for example the folks that are here today but inherently agencies are still operating in silos.

So, these aren't examples that are regulation per se but they're clear examples seen through actions that have taken place over the last few years.

So you know an example would be the OCC versus the Feds, on third party relationship characteristics some of the confusion on that the independent foreclosure review process that was separate from the national mortgage settlement that didn't include the financial protection bureau that's responsible for consumers and was incredibly confusing to borrowers which then resulted in a very low threshold for borrowers that actually applied to be part of the independent foreclosure review process.

Another example is the CRA related websites and information sharing that vary between the OCC the Fed the FFIEC and the overall shared data systems.

With the CRA related websites an example of that would be the recent CRA, Q&A process, if you were to go onto the FFIEC's website they don't even have the notice of proposed guidance or for the CRA, Q&A so they're still working with the CRA, Q&A from 2010

so if one were to go on the website they wouldn't even have the opportunity to submit comments for the updated CRA question and answer.

So a timely recommendation and this really aligns with shared data systems is to better coordinate with the CFPB so -- and that could insure that regulated entities adopt have to engage in multiple round of data entry of the same information and that on the consumer end, consumers and advocates have a more efficient and comprehensive way to access publicly available information through a shared database.

I wanted to echo some of Ken's comments, about Kevin's comments about mergers and acquisitions as an example of that.

I've seen some great literature, I think from the Federal Reserve Bank of Atlanta that gives a really comprehensive overview of what to look for, what to consider when you're looking at a bank's CRA exam.

If you're in California, you probably don't know about the Federal Reserve Bank of Atlanta.

And so every even every regional bank has different information about CRA then if you were to go onto any agency's website there's often a lot of redundancies, often times links are dead links and even if you want to search and find a CRA exam, it's very difficult if you don't fully know how to navigate each website; and so this is something that we know that the regulators have been working on their own individual websites, which is a great step forward.

And, it doesn't really solve the larger problem.

So there's a huge disconnect with the purpose of CRA and the real life forces of CRA which are supposed to be the public and yet we can't access information.

We put down a list of steps to weigh in on mergers and there are 15 steps where you have to you know jump between the OCC's website maybe the FFIEC's website and then you have to go to look for pull down maybe to the SBA's website to get their data but it's not public so then you have to request it through -- so it's a very drawn out process that doesn't actually align with the overall purpose of the Community Reinvestment Act.

Then you have to pull down data and maybe to the SBS as website but it's not public so you have to request it and it's a very drawn out purpose. And so to my last point I want to talk about is CRA. I know this is something that you all have been talking about for a long time and I've seen some great papers from the Federal Reserve, um, amazing hearings where folks that have been working on issues of CRA have really weighed in to give their perspective of when CRA was created to the 21st century and everyone agrees that we have to bring CRA into the 21st century. Obviously, The Community Reinvestment Act has helped expand economic opportunities for millions of Americans. For many families, CRA is the bedrock that helped form their American dream: Ensuring loans for homes, small businesses, and other wealth building opportunities.

I could say for myself as a daughter of a black woman, born in 1947 in Memphis, Tennessee, I know it's the intention behind it is incredibly important.

Not only communities shared but banks have shared in the CRA benefits as well. Many banks have found new and profitable markets in communities that they might have otherwise overlooked.

And so while the CRA has been a great benefit, it doesn't need to be updated and demands more complex -- excuse me -- complex metrics to really drive kind of what Kevin mentioned what's the threshold for a lot of the benchmarks that banks are supposed to meet satisfactory or whatever other rating.

So I mentioned the hearings from 2010 and I found a quote from Mr. Calvin Bradford with National People's Action and I thought he was spot on and I wanted to read his quote.

"For the much simpler financial markets in which it was developed, The Community Reinvestment Act was designed to assure fair access to credit to all persons and all communities – and to serve as an engine for the creation of a development banking industry. Over the years since the Act was created, the markets have become more complex and simultaneously both more segmented and more fragmented. As the regulations for the Act have become more diffuse and lax, neither of the original goals of the Act is now being met."

And it's something that we're seeing especially the disconnect on the satisfactory ratings given to most banks and if you look at metrics whether if a bank is meeting the financial needs of a community you would say probably not. You see that from the online lending industry the under banked constant numbers that we're seeing that really show the disconnect between how regulatory agencies are defining satisfactory performance in meeting the needs of communities whether they are actually meeting the needs of communities and whether the community feels that they are meeting the need as well.

So as it stands, we believe that CRA's real enforcement is at the hands of the community, yet we have limited, and outdated tools to truly be effective.

Also banks make it clear that CRA is not really a priority and that its retail banking business doesn't make the money, it's the investment wing. If there is a plan of action for CRA we don't know what those plans are so there is not much that we can really do to work with the bank to continue to ensure that they are meeting those needs of their communities.

So as I mentioned before this isn't an exhaustive list, but a few critical updates necessary for CRA to truly be effective. To wake you up a little bit, I rated the regular so:

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Poor reinforcement that redlining is illegal, as seen through banks receiving Satisfactory ratings following discrimination claims filed by the DOJ against the bank.

The poor use of technology makes all elements of the CRA unreasonably inaccessible for information/resources, public engagement-like commenting on CRA exams and mergers.

Poor use of metrics and data that leads to no clarity on how to truly quantify opaque phrases like "meeting the financial needs of" the community in which it does business.

Poor utilization of community-group insights, and consumer stories that should color a bank's performance, and how mergers will affect consumers.

Poor understanding of the service needs of communities, for example, how location is important, but language access that is critical to making bank services available to large LEP populations, like California is 40% Latino population.

Inadequate response to redlining given that CRA is colorblind.

Inadequate approach to setting guidance for CRA activities.

So I have some recommendations to address some of these issues so we recommend the following:

CRA examinations must evaluate an institution's process for achieving performance, not just the results of its lending, investments, and service activities.

Create a floor for the number and percentage of public comments that must be utilized/included in CRA examinations based on the population size and number of community organizations in the area.

More thoughtful assessment that evaluates lender's record under fair lending and anti-discrimination laws. It should be clear that a lender that violates any of these provisions is not meeting the needs of its community. No bank should receive a satisfactory CRA rating after the DOJ settles or sues that bank for violating fair lending laws, or essentially redlining

communities and consumers of color. Metrics, and clear guidelines must be part of this assessment.

CRA can no longer be blind to race. Similar to questions raised by Chair Yellen regarding the lack of diversity in the field of economics, had CRA data been available by ethnicity, regulators could have been better informed and therefore prepared to respond to targeted discriminatory lending practices. CRA must look at minority census tracts, and the race of consumers.

Regulators must work together and create a central portal for all CRA information, and learn from the CFPB on how to increase its outreach and updates about CRA related actions.

Regulators should leverage the service test to improve bank responsiveness by encouraging banks to provide services, onsite, and materials, in languages other than English. Including this would better ensure that banks truly tailor its services to meet the needs of all geographies in which it provides services. This would improve access and eliminate barriers for the over 22.5 million LEP Americans nationally, a population that has grown 81% since 1990. California represents 27% of this population of that national population and finally the regulators current approach to clarifying CRA via the Q&A process is confusing, and leaves room for gaping holes and how CRA is interpreted. Regulators should use its normal approach to rule making and guidance by publishing proposed rules and final guidance when it comes to CRA. Thank you.

>> BARRY WIDES: Thank you, Sasha.

>> EDMUNDO HIDALGO: My name is Edmundo Hidalgo Thank you in advance for considering this correspondence. It is with much forethought and in the spirit of community that I have composed the following. For the purpose of background, I am the President and CEO of Chicanos Por La Causa (CPLC). CPLC is the largest Latino community development

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corporation in Arizona and the third largest in the United States. Last year we touched the lives of more than 195,000 people through our four pillars of services: Housing, integrated health and human services, education and economic development. CPLC has been in existence for more than 47 years and has earned the trust and respect of the community, particularly with our primary constituency, the Latino community. We are humbled by this position and constantly strive to live up to the standards of excellence our community deserves.

It is with this in mind that I would like to comment on the EGRPRA hearing and extend my deepest appreciation to you in advance for considering this point of view.

One of the primary purposes Congress enacted The Community Reinvestment Act (CRA) was to assess a bank's record of helping to meet the credit needs of the local communities, consistent with the safe and sound operation of the bank, and to take this record into account in evaluating the bank. While banks may be attempting to meet these needs, the needs of lower acculturated Hispanics are largely unmet by formal banking institutions.

There is an enormous opportunity for traditional banks and corporate financial institutions to provide much needed products and services to the rapidly growing Hispanic community. According to Nielsen Holdings, NV the Hispanic market is expected to spend more than \$1.5 trillion in the U.S. in 2015. However, while the Hispanic market presents an immense business opportunity for traditional banks, the Hispanic market also possess a strong lack of trust in traditional banks and formal institutions. Numerous marketing studies targeted at Hispanic consumers have indicated that Hispanics have a significant distrust of banks compared to the general market who have an overall trust in banks. For banks to

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acquire lower acculturated Hispanics as customers and realize their untapped economic potential, banks must overcome several significant barriers that I must address.

In addition to the research just cited, CPLC as a community organization that has a strong reputation of supporting reliable and trustworthy businesses also sees proof of the Hispanic market's distrust of banking institutions as we receive frequent phone calls and hear from people who walk in to our facilities and want information about where they can bank and who can help them facilitate their financial transactions.

Additionally, Hispanic members of the community regularly utilize expensive payday lending institutions and other expensive business practices to meet their banking needs. A simple drive through a Hispanic concentrated neighborhood will validate this. You will see a high number of payday and other financial businesses placed in visible locations seeking to meet the needs of the community. Why is this the case? Simply put, because the market needs are unmet. These entities provide accessible, high touch services that are in culture and in language in a very un-intimidating way.

This is the challenge banks have to overcome. The CRA regulations require banks be evaluated on the availability and effectiveness of retail banking services. Specifically, banks are evaluated on the availability and effectiveness of alternative systems for delivering retail banking services in low and moderate income geographies and to low and moderate income individuals. Furthermore, banks are evaluated on the range of services provided and the degree to which the services are tailored to meet the needs of those within the low and moderate income geographies. While I will not presume to tell the banking industry the best way to serve this community, I can point to businesses that are reaching this consumer successfully, I do know banks have tried reaching Hispanics though online and mobile

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services. While it is true Hispanics over index in their use of mobile services, it is our experience this is largely for social media and not for banking services, trust is still the issue.

Another concern with respect to the Latino community pertains to Fair Housing. The following brief prepared by National Council of La Raza (NCLR) substantiates this issue: Latinos seeking to purchase a home are disproportionately denied access to the conventional mortgage market, threatening the economic well being of these individuals and the nation as a whole. Specifically, Latinos are now the country's fastest growing demographic but their homeownership rates remain stagnant.

As the Latino community continues to grow if we don't see a significant increase in homeownership, then we're taking a step backwards and not forward. For many of us the purchase of a home is a single largest investment and for many communities of color this is the single largest source of investment for the retirement and their wealth.

This was a study that was done by the Urban Institute. They talked about the Latino institutes and African Americans. They have been decline in the African-American case 55 percent of the time and in the Hispanic case 45 percent of the time.

In contrast, purchase loans to non Hispanic whites and Asians dropped 41 and 15 percent, respectively. These results illustrate that constrained credit availability has decreased the number of purchase mortgages being made in the current environment, especially for prospective owner occupants. Moreover, the effect has been uneven across race and ethnicity and across states. While new originations declined among all groups, African Americans and Hispanics have been affected more strongly than non Hispanic whites and Asians. The consequences of this are severe in that fewer individuals will become home owners, at exactly the point in the economic cycle when it is advantageous to do so. These

individuals hence lose a valuable opportunity to build wealth. And it has consequences for the housing market and the broader economy.

Historically, homeownership has been one of the only meaningful paths to financial stability and opportunity for Latino individuals. In 2010, home equity accounted for 67% of net wealth for the median Hispanic homeowner, compared to 38% for the median white owner. Latinos are projected to comprise half of all new home buyers by 2020. However, this projection cannot be realized if Latinos continue to have limited access to safe mortgage products. Given the inextricable tie between home ownership and wealth for Latinos, limited access to safe and affordable mortgage products may further widen the nation's wealth gap and slow overall economic growth.

Five years after the financial crisis, reform of the housing finance system is the only major issue that has not been addressed. Congress has failed to pass any proposed legislation to reform the housing finance system. Financial institutions remain reluctant to lend as they continue to deal with defaults and uncertainty stemming from the broad range of proposed laws and regulations. In this climate, lenders are only making the safest mortgages to borrowers with the highest credit scores and the ability to provide a high down payment. As such, because of stalled action on legislative reform and financial institutions EGRPRA on the side of extreme caution, millions of hard working Latinos remain inaudible to obtain safe, affordable mortgage credit. I recommend a concentration of three areas to address these issues:

First one is discourage lender overlays. Though the FHA establishes its underwriting guidelines, lenders are allowed to apply more restrictive requirements, including higher credit scores, reductions in the allowable debt to income ratios or restrictions on the use of gift funds. These lender overlays primarily affect borrowers on the margin of qualifying for a

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FHA loan, restricting the last mortgage credit option for many Latino borrowers who would otherwise meet agency standards. To increase both access and affordability of FHA loans for qualified borrowers, the use of lender overlays should be discouraged.

Many of us understand the value of housing counseling. Borrowers who participated in pre-purchase housing counseling are likely to have lower delinquency rates and rates of default. Any new housing finance system should integrate housing counseling into its programs and should be considered a compensating factor to reduce down payment requirement as appropriate.

And finally permanently expand community development CRA definition to broaden scope and impact of banks. I applaud the recent approved CRA rule revising the term "community development" to include loans, investments and services by financial institutions that support, enable or facilitate NSP eligible or similar activities. However, we need to make this a permanent part of the CRA structure. Currently, this CRA expansion sunsets two years after NSP expenditure deadlines [in many cases this CRA expansion deadline has already lapsed].

Again, thank you for your consideration. I hope that this letter has helped clarify and clearly communicate the issues facing the economically powerful and rapidly growing Hispanic market. Facilitate NSP or foreseeable -- this organization was only incorporated on a two-year window.

We believe that this should be a permanency as many of us who are using this as a tool for economic value situations see a whole lot of value in NSP targeted resources and believe that there's still a recycling of funds and program income that will exceed the two-year window that currently has been incorporated as part of CRA. Again I appreciate the opportunity to comment and thank you for being here.

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>> BARRY WIDES: Faith.

>> FAITH BAUTISTA: I'm a little nervous because I can't believe my audience is the rock stars of Washington DC, Tom Curry and Martin.

>> MARTIN GRUENBERG: Tom and I were just wondering who you were talking about with all due respect.

>> FAITH BAUTISTA: No you guys are rock stars. Thank you for your coalition partners that are here thank you for your support our pastors and the Latino chamber and also I just want to say hello to the people who are watching us we Twittered today we Facebooked, there's not a lot of people here but you better watch me so, hello, so here it is.

The national diversity coalition includes 5,000 African -- 40,000 Hispanic evangelical churches and the largest minority chamber of commerce in California the Latino chamber of commerce our coalition members are strong supporters of keeping regulations short and simple.

This is why we strongly supported the original Volcker Rule when was just a two page letter to the president and that's why we added that the rule today is undue length and complexity that even CEOs cannot understand.

As a senior pastor of Christ Mark Whitlock has told me on many occasions that the Ten Commandments have lasted more than 10,000 years yet it is only 316 words long. The Economic Growth and Regulatory Paperwork Reduction Act is a good idea.

But our staff pointed out after reading your 258-page joint regulatory report in Congress in 2007 it is already outdated.

The Office of Thrift Supervision which wrote the report no longer exists and this 2000 report assumed as Chairman Greenspan told us in 2004 there will never be a national housing

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crisis. Our overall suggestion is we must modernize this act and bring it to the 21st Century like Sasha said.

This includes hi-tech mechanisms now available to us that were unthinkable 20 years ago. We should also consider the value of just one regulator per bank and its compact contact on unnecessary regulations and burdensome costs.

And we should consider a simple app that would allow all bank customers including those who only speak for example Mandarin or Spanish to regularly file comments on specific banks and their policies.

We would like to offer six simple suggestions some of which the National Diversity Coalition discussed three weeks ago in DC with Chairman Yellen and senior staff from the OCC Treasury and FDIC.

Community banks are overwhelmed with regulatory burdens that are far too costly and counterproductive begun that I have small size. We suggest that if a community bank can demonstrate to the regulators and the community that is achieving outstanding CRA ratings the regulatory burden should be minimal.

Last year, Bob and I visited a very well very small community bank in LA in a conference room there were 17 FDIC examiners they had spent three weeks examining the bank and they were not finished yet. This appears to be a waste.

Federal Reserve Governor Tarullo -- systematically important when they reach 50 billion. The treasured for systematically important should be at least 100 billion.

If we wish to create competition with too big to fail we should enable banks such as Union Bank to grow larger. This is what we impart -- but should only happen if banks commit to achieving outstanding CRA ratings much as Bank of California did four months ago.

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One example of counterproductive bank cost relates to first republic bank it will -- it CEO formed American Bank as well as coalition that it will cost the bank over 400 million over the next ten years to comply with this regulatory burdens.

In our opinion this 400 million could be better spent on community investments that revitalize our communities, create jobs and promote youth financial literacy.

As we previously commented in your September 8 request for CRA comments we should use positive incentives rather than ineffective punishments to insure more responsible behavior from the banks; for example, why not create a new CRA rating called "outstanding plus." It might be more effective than a thousand pages of regulations.

Use outstanding plus to reward, for example, innovative low cost micro-loans to small business, and to reward creative technical assistance to struggling businesses that seek online low cost funding and/or reward banks that breaks the barrier to home ownership by supporting local groups, not investors, in securing lines of credit for REOs intended to stabilize the revitalized low-income neighborhoods.

Even supplier diversity, I think that's a good way to be part of the good CRA.

There is much discussion about AMDAL -- far too much useless information is reporting. AMDAL reporting should be streamlined with banks for 10 billion or less in assets.

The CFPB however has this responsibility and should be urged to complete it by Christmas which I doubt it.

For example, AMDAL data fails to capture what is happening to very diverse and distinct Asian American sub-ethnic groups. In contrast the US census regularly breaks down, Filipino, Asian Americans. AMDAL reports should do the same. To date despite the 2010 Dodd -- ethnicity and gender, no agency has informed any bank of its responsibilities under the Act.

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As a result the bank that makes 10 million business loans to one White developer in Black neighborhood gets as much CRA credit as if they made 250-dollar loans to struggling Black entrepreneurs who create jobs.

The CFPB however has this responsibility did, I think I read that already. Most community groups like ours have been urging requires simple one-page bank disclosures for most transactions between banks and customers.

I close with two brief observations regarding a new 21st Century simple and understandable EGRPRA -- less could often achieve more.

The Federal Reserve Bank of satisfactory should call early meetings of banks and grassroots community groups to work together to promote economic growth, create jobs, reduce paperwork and develop an effective outline of what should outstanding at CRA plus CRA rating including appropriate incentive for banks.

Thank you and salamat, po'.

>> BARRY WIDES: I'd like to thank our panelists for their thought provoking remarks. We now have a portion of our session set aside for people in the audience to make comments. So please come up to the microphone if you would like to make a comment.

4:15 P.M. - AUDIENCE COMMENTS

>> AUDIENCE MEMBER: Hi I'm a reverse mortgage suitability and abuse and a HUD certified counselor. For the last nine years I've worked with hundreds of consumers, 90% of which are consumers that are in trouble. Because they didn't understand the terms of a reverse mortgage product.

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I work with all lenders and all servicers and as an example, I have to tell you that financial freedom OneWest Bank holds the place of one, two, three and four as the worst lender and servicer.

OneWest Bank had a consent order signed in April, 2011 by OTS and now OCC is supposed to be overseeing but currently in the reverse mortgage market place with all lenders there's no oversight, there's no compliance verification, there's no enforcement and there's no auditing of existing regulations.

Sorry, what's happening? Is consumers rights are being violated on a daily basis. HUD regulations is and CFR regulations are being violated consistently every day.

Lenders and services are using state laws in order to violate federal regulations. And rights of consumers.

The hundreds of consumers I've worked with have shared a common experience and that's a deliberate failure on part of the servicers to comply.

By the following -- they deny the consumer all their rights and options they don't even inform them what their rights and option are with when the loan matures or when there's a default trigger and by the way there are 17 triggers to default a reverse mortgage.

They accelerate foreclosure as soon as 45 to 60 days after the death of the borrower when the heirs should be having the time to grieve. They refuse to speak to heirs without a court order they refuse to wait for the probate process in order to allow the heirs to purchase or sell the property.

They deny HUD authorized time extensions to -- they deny the consumer most of all this is most important they deny the consumer their right to repay the full loan balance regularly. They deny the consumer the right to repay 95% of the appraised value as is their HUD right. They charge unauthorized legal fees and other foreclosure related fees in payoff

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statements and submit those as claims to the FHA insurance fund. They knowingly record false or defective notices of default or declarations and states where there are court foreclosures.

They file false papers with the court to foreclose early.

They foreclose and evicted non-borrowing spouses necessarily and a non-borrowing spouse has been a big issue with all the lenders. My suggestion is to wait, stop all non-borrowing spouse evictions and allow the HUD to come out with a final ruling on the determination of the court cases.

They also denied deed in lieu so the consumer can avoid foreclosure-related fees.

Regulatory agencies seem to take the word of OneWest Bank. There is no agency that seems to have any sort of responsibility to act on individual consumer complaints.

So on behalf of the consumers I've worked with I ask that one agency one government agency take responsibility for oversight, enforcement and auditing reviews of reverse mortgage lenders and particularly of financial freedom.

As far as the merger of CIT and OneWest Bank if there could be a public hearing I know many, many consumers didn't know about the comment period and would love to be able to share their experience with regulators.

Thank you for your time today.

>> BARRY WIDES: Thank you.

>> AUDIENCE MEMBER: I had a woman was supposed to come today she just texted me, so if I could have another minute I'd like to just tell her story.

>> BARRY WIDES: Sure.

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>> AUDIENCE MEMBER: The woman's name is Elizabeth financial -- quite some time ago and a condition that of her daughter and family would be able to pay off the loan, when she passed away and retain the family home. It'd been in their family for 75 years in Utah.

When her grandmother passed away she knew what she had to do. She sent a letter of intent and did everything according to HUD regulations to repay the debt.

OneWest Bank financial freedom violated all her rights and refused to allow her to repay the loan balance.

They said she was not legally authorized to speak to them or act on her grandmother's estate. She was and submitted the documents.

They said they didn't get her documents time after time after time.

They did.

Financial freedom refused to honor her letter of intent to repay the loan, they refused to grant her the time authorized by HUD.

>> AUDIENCE MEMBER: The woman's name is Elizabeth.

>> AUDIENCE MEMBER: Financial Freedom refused to grant her to time authorized by had you had regulations to obtain a new loan. They denied all the request for time extensions. They accelerated foreclosure and attempted to auction her property she tried paying October 17TH, 31ST. Twice it was stopped.

Financial Freedom authorized unauthorized legal fees and appraisal fees caused by their acceleration to inflate the payoff statement.

At no time did Financial Freedom OneWest bank comply with the had you had regulation governing the reverse mortgage. They just didn't do it to her but to other consumers every day.

>> SPEAKER: Thank you. Are there other comments?

>> AUDIENCE MEMBER: For those my name is Frank and I'm the founder and CEO of founders of illegal foreclosures. Our home was stolen by city and Chase Banks they knew where we were not in default. Because of their continual denial for payments we had made we were actually way ahead. At one stage the judge orders us to get together and narrow down the dispute and during that meeting approved every payment from January 1990 through may 2001. Their lawyer said those copies are not clear. These were photocopies of cashier checks front and back and in the back was a stamp proving the bank had cashed them. I said I would get them from the bank again because the bank sent front and back separate. They filed another foreclosure and they rejected any payments. They wouldn't accept any payment except the full payment they were demanding. So we sued them and we went to trial and my very competent lawyer I had gone on all the depositions -- I'm a law school graduate -- suddenly he became like the Marx Brothers ask The Three Stooges looking at me while the banks were presenting false information based on two sets of books. So when we paid the mortgage -- and the reason was they had bought our mortgage as a package and they never got any limitation so they were just guessing. Anyhow, of course, they won that trial and we went to appeal and the appeal court was so biased -- for example, the notice of default notice said we hadn't paid. And I have 49 cashier checks front and back that proved we had paid up to 2001. Those two alone should give us a whim but they were never shown to the jury.

After the jury said they never saw the wrongful foreclosure because they never saw the proof and I told my lawyer you purposely lost that case and you better get us at least our surface funds. I think it was 160,000 and they demanded and they took 516,000 because of the years.

So the judge said what's that? The home was sold much more than was sold surface funds. They would like to recover that and why the heck didn't you tell that to the jury and he mumbled something. And then the judge said to the bank's lawyers what do you think of that? Oh, I can't that money belongs to them and the judge was confused. Wait a minute let's say the household is 190 and who gets the other ten? They do of course. Everything is paid who gets the money? They do and seven times they were told. And then the judge said well there is nothing for me to rule on. There is no controversy between the parties. So one of the lawyers wrote the judgment for the judge to sign and he said after the jury had left the plaintiffs asked for the recovery of the funds and all agreed that those funds belonged to the Witties but in the judgment that he wrote after the jury left but the judge declined to rule that's all they said.

Now this past June I went to court to have that judgment corrected and you were allowed to correct clerical errors in the judgment. There is no deadline and that's a clerical error. The lawyer left out the sentence not the judge. And the banks lawyers response was oh, no that was a judicial error. The Court of Appeals has been even less helpful so we need to show that these banks are so powerful they can override, they can turn justice on its head as they did in our case and they do it to many other people. Many people are wiped out in the first or second round. I fought for years. They are very powerful so that's where the government comes in. There must be justice against these people and I hope to provide you many more examples of people who were destroyed by these banks.

I know of many suicides because of them but I will try to get you more information. Thank you very much.

>> SPEAKER: Thank you:

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>> AUDIENCE MEMBER: Thank you for all of the community-based [comments]. I think it's a testament to the work that you do. And you are to be commended for representing our communities. I wanted to suggest that this I've heard that this is a once every ten years kind of thing and on behalf community organizations and particularly the faith based organization it may be possible for us to serve as a sub organizations for these types of platforms.

We have facilities -- personnel and very much an interest to giving voice to the voiceless. We're in conversation with the CFPB now to setup complaint centers that may be of resource to the OCC and the FDIC and what that is is since our organizations are trusted we can appeal to the audiences in ways that sometimes our regulatories may not have the time or resources that they may have.

One of the things I'd like to propose is having some conversations with staffers about how we might be able to put that in place so that throughout the next ten years we might be able to build a model that would yield a little less frustration and expression from our communities and you'll get more data to our federal regulatories so hopefully after we conclude which is hopefully very soon we'll be able to have some further conversation on how we come together and serve as true partners to help our consumers come to the table with their stories. So that's the suggestion on the table. Hopefully we can put that into action.

>> SPEAKER: Thank you.

>> EDMUNDO HIDALGO: Back in the day whenever a CRA examination was being conducted we got a call with annex extensive list of questions. They would never tells us exactly who are reviewing but the regulatory would ask questions that would allow us to showcase and talk about specific banks and the things that they were doing that were innovative that were going outside the traditional box and going for the needs of unmet communities. I don't think I've gotten a call from a regulatory in probably ten years. At least

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from a community perspective and entity that is striving to make credit available to all it gave us an opportunity to offer examples of things that were working and not working. It was very, very clear they could not tell us who they were reviewing.

>> SPEAKER: I think you might be referring to community contact surveys. The regulators still do those. And I think you make a point that we can take back to our regulatory bodies and discuss further. Thank you.

>> AUDIENCE MEMBER: With living faith church the Miranda center there is another long NHCLC it's not as long as the acronym we're sitting under and we're representing 40,000 Evangelical churches. The panel is so articulate and what my colleague Pastor Dorsi recommended for the regularities I was wondering if we would gather and there is a lot of diverse ideas and we might be stepping on each other's toes and being our worst enemies and we can gather and where we agree but boy in church we say amen and I always said amen about 25 times. So God bless your work. Welcome to Southern California. We rolled out the best weather for you and we hope to see you soon: Now you have a tough job and this is what we do we pray and so God bless you and we pray for you and cheer you on and we look for solutions. I want to commend our coalition leader, Faith Bautista.

>> BARRY WIDES: And we appreciate those very kind words. Are there other comments folks would like to make at this point? If not, again I would like to thank my panelists. Do you want to make a comment?

>> SASHA WERBLIN: Well I was just hoping that our lovely guest or host may be had a few more questions or comments regarding any of our thoughts or feedback some of which I know you've heard very often.

But would just love to hear from you as well.

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>> MARTIN GRUENBERG: Edmodo have we met before? So I think I've met with everybody once before more than once in the past and you all from my standpoint made thoughtful and articulate presentation.

So I don't know that I have any questions or additional comments to offer but I do, you clearly made a significant effort in terms of providing some thoughtful input on these issues and we really appreciate it.

>> THOMAS J. CURRY: I would agree with Chairman Gruenberg and I think it also matters how you receive something, reading something is different than hearing from people at least -- the entire program had a big impact.

>> KAY KOWITT: Okay, thank you Barry and the rest of the panel and the audience commenters. We did have that one last session set aside for audience comments but -- is there anybody else that wanted to make a comment on any OCC, FDIC or Federal Reserve board regulations we'll give you the opportunity to do that right now.

>> AUDIENCE MEMBER: Hi I'm a banker and CRA officer and I just wanted to thank Melody for some of the things that she brought up before but I think it's really great that we're all together in the room because it's only through collaboration and look at big picture - - special interest one by one we've all come together to talk about things at large and I really appreciate everybody that's here today that made the effort in of the rain because as you know Californians can't drive this time rain but I've really gotten to know you better and learned a lot so thank you all today.

>> FAITH BAUTISTA: Can I just make an adjustment for your next one. Perhaps you can do better outreach because this is really a fabulous workshop. This is only happening ten years and if you can get the people like us that really serves the community to know about it

even if they can just watch it on the computer and that's what I did this morning, really do a better outreach because this is awesome.

We get to tell you what we want to tell you even though you don't want to hear it on that's good.

>> SASHA WERBLIN: But it has to happen every ten years but it could be every year if you so choose.

>> MARTIN GRUENBERG: Sasha how many times have I met with you over the last --

>> SASHA WERBLIN: Every year.

>> KEVIN STEIN: I think all of the folks, you know who are here I don't know if it's on the other side of the room I think could help provide a community presence for a hearing that's really more accessible to people.

So, I mean this is important and that you are here, you don't -- you in particular don't need to be here but you are and we appreciate that.

And I just wanted to make one other kind of comment building off of some of the prior the last few comments about looking for solutions and not working piecemeal from a CRA standpoint one thing that we think is really important and maybe we all would agree is you know for institutions that dialogue with community groups to dialogue --

One thing we think is really important is the development a transparent CRA plan that addresses community needs and focuses or kind of conveys how the bank will meet those needs in a variety of ways and not necessarily kind of a piecemeal we'll do this we'll with this group but we're here so serve our communities because that's what the CRA is all about.

>> AUDIENCE MEMBER: I have one more comment I'm Howard Hernandez, I certainly hope we're not in the same situation ten years from now, as far as the CRA is concerned but by the same token we're primarily concerned with our returning veterans and I would like

some issues insofar as the CRA to -- let's look at some alternatives that we might provide for our veterans who returning from the Middle East.

You know I pray to God they're not still returning ten years from now but there's a strong likelihood they just very well may be. But let's just start focusing on reinvesting in our communities here so that they -- when they come back, they have something to come back to.

Let's transition them properly. And let's address their needs.

Thank you.

>> BARRY WIDES: Do you have a comment? Okay.

>> AUDIENCE MEMBER: May be I'll be the last one my name is Norm I'm with Far East National Bank and the comment that I believe Kevin made about the community groups kind of being like right here, I would hope that you understand that on a monthly basis, in this room, the Feds, the FDIC and the OCC bring in 20 to 30 to 40 community based groups to interact with all of the CRA officers that can get here within the Southern California region.

So it's -- I believe that the agencies are doing the best that they can to bring the decision makers within the banks and within the community based groups together to find out what the needs are within their particular communities.

These agencies may not be the Greenlinings of the world or the CRCs of the world but they're the people who are in this community, they're in Koreatown, they're in Chinatown, they're on Boyle Heights.

So the agencies are doing the job at least here because I'm here all the time and just as an aside I did used to work for the FDIC as an examiner so I go in and we would contact community based groups in every single exam that I did we would contact at least two.

They're published on our little website but, again, I think that the regulators are doing the best that they can, we are getting input from the communities and so, again, I want to thank everybody again for being here but I thank -- it's nice to get the larger picture from the big kids in the room as well as our community based groups here and local area. So thanks for listening, kids.

5:15 P.M. CLOSING REMARKS AND ADJOURN

>> SASHA WERBLIN: So maybe it's not the last comment. I'm glad to hear that, Melody that's awesome that you're pulling those groups together, I don't think it's something that is happening in Northern California.

>> KEVIN STEIN: I think it is but maybe I don't know if you're here to make another point but I think there are different, there are different discussions right so, what I think of what's happening in San Francisco and San Francisco Fed newspaper sac is doing a lot of this convening it's important and it's how to get groups working with notions.

This is an opportunity to hear for the agency heads to hear from communities groups and the groups that you're referencing those are members of the greenlining and CRC so they inform our comments.

We reflect the needs of those groups and the sad reality is that what they will -- what groups will say to institutions with whom they're trying to partner and develop relationships may be different than what they would say to a regulator to kind of, if they were being honest about how institutions are sometimes serving their communities.

So there's a need, they're both important and there's a need for both for the constructive let's work together let's make our communities stronger but also to say to the

regulators there's certain things that are not just right that are happening and you should know about it and right now the only way you know about it is if we send a letter.

But as a controller said, that's very different from hearing from us, I think it's even more competition from people who are standing up at the mic so I think it's all important but it's great to have you -- it's great that Melody is doing what she's doing and she should keep doing but it's great that you're here and we would like to see you sooner.

>> SASHA WERBLIN: I was going to say I think the missing link in pulling those folks together the examiners, you know, examiners I mean CRA is so subjective it's wholly based on what the examiner thinks about everything and most of the information comes from the bank.

There's no clarity on what it means to meet the credit needs or any other needs of the community.

You know there's a lot of broad language that's used.

And so you know when we talk about the Community Reinvestment Act and we talk about its potential, you know even pulling a CRA officer in and pulling someone from a community based organization in, if you don't have that examiner there, you know, are we really going to move in that direction?

And the feedback that we hear in talking about even diversity, or Faith mentioned supplier diversity. The one thing that we hear, even language access is something that I mentioned before.

The examiner said that's not written in CRA, it's not part of the CRA Q&A and there are you don't get credit for it and so how many examiners have that mindset? How many examiners -- and I don't know, but how many examiners are part of the community how many of them are actually talking to the community part of that entire equation?

And also even connected to their regulators, so we continue to see a huge disconnect and what I mentioned about maybe not having those meetings in California, I don't think we're having them with big CRA officers, community groups, community development folks from the regulatory sector.

So I'd love to be able to see more regular convenings where examiners are put in the same room with all the other folks that part of that you know overall equation to really move the ball and clarify some of the you know miscommunication, misunderstanding that we continue to hear from bank partners, from community -- all other stakeholder groups.

>> EDMUNDO HIDALGO: So the one thing I've learned being the president of my organization is you can never over-communicate and you can never over-listen.

And so, we're not saying stop the gatherings here because it brings a certain constituency, brings a certain gathering but I think the offer was made to also hold some of those meetings out in the community, to come into a building like this where you have to face security and go through a number of sensitive check points is intimidating.

So why not hold some of those gatherings some of those conversations, again possibly not with the hands of the organization but with other representatives of the region out in the community.

The meetings that are happening here are great for Southern California organizations, but if I'm in Nevada or if I'm in New Mexico or if I'm in Arizona how do I get to dialogue and interface with those individuals?

I have to wait until those meetings are scheduled -- and they do happen. I'm not going to say that he don't happen but they don't happen as regularly as they do here and I believe that every community serves equal access both to listen as well as to communicate.

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>> BARRY WIDES: So that say a good point Edmundo. We do hold listening sessions that do include examiners.

But you know you raise a good point, we're limited in terms of resources and so you know we need to be talking to communities and being real strategic in terms of how we and where we do these listening sessions.

So, you make a good point and it's something that we'll go back and talk to our fellow regulators about to see if we're being as strategic as we can in this area.

>> KAY KOWITT: Okay, in closing, I'd like to thank everybody for their participation today from the rock stars --

(Room laughing)

To the panelists to the audience members -- I think we got a lot of thoughtful and constructive input through the day and I can assure you that we can all see careful consideration as we move through the process and I would just continue to encourage everyone to continue to comment over the next couple of years.

As we move through the EGRPRA process and so with that -- and if you still have written comments you can drop them. There's a little inbox on your way out by the registration desk. So thank-you, thanks again and to the Fed for hosting this and we're officially adjourned.

(Applause)

[Meeting Adjourns at 3:51 p.m.]

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