Survey of Community Depository Institutions

In the Tenth Federal Reserve District

Division of Supervision and Risk Management

Federal Reserve Bank of Kansas City

1 Memorial Drive

Kansas City, Missouri 64198-0001

August 2011

ABOUT THE SURVEY

The 2011 Survey of Community Depository Institutions in the Tenth Federal Reserve District was conducted from June 1, 2011 to June 22, 2011. Surveys were emailed to community depository institutions (including banks, credit unions, and thrifts) with assets less than $1 billion located in the Tenth Federal Reserve District.

Of the 1,380 potential respondents, 322 institutions completed the survey, resulting in a response rate of 23.3 percent. The characteristics of survey respondents are closely aligned with the characteristics of institutions located in the Tenth District, although the survey does not represent a random sample.

The survey is organized into four sections:

Executive Summary

Business Prospects and Challenges

- 79% of respondents rate regulatory compliance as a significant challenge for their institution. This has grown from 66% in 2008 and 42% in 2004.
- Almost 64% indicate that earnings are a significant challenge, up from 49% in 2008. This is driven by challenges in maintaining / increasing noninterest income and strengthening their net interest margin, as over half of the respondents rated these as significant challenges.
- 68% of credit unions rate achieving satisfactory consumer loan volume a significant challenge.
- With the repeal of payment of interest on commercial demand deposits, 78% of community banks are expecting an overall increase in interest expense. However, this is also an avenue to attract new deposits, as 53% expect business demand deposits to increase in the next three years.
- Over half of the respondents expect loan competition to increase from finance companies specializing in machinery / cars, larger regional financial institutions, farm credit associations, and credit unions; while little change is expected from securities firms, thrifts, and insurance companies.
- Over half of the respondents expect deposit competition to increase from larger regional financial institutions, credit unions, community banks, and larger nationwide financial institutions; with little change expected from thrifts.
- New products being explored include mobile banking, mobile payments, email/wireless banking alerts, check deposit by phone, and personal financial management tools.
- In spite of the challenges, 97% stated that they are likely to remain under the same ownership and structure.

Noninterest Income

- 55% expect overall noninterest income to decrease over the next three years.
- There is an expected decline in debit card interchange income, as indicated by 69% of the respondents.
- In order to offset some of the declining debit card interchange income, there are expected changes to fee structures, where 61% expect checking account maintenance, overdraft, and per item fees to increase. This is in addition to a decline in the expected proportion of accounts qualifying for free checking.
- 41% expect ATM surcharges to increase over the next three years.
- Over half of the respondents currently do not offer overdraft protection, driven primarily by the desire to avoid compliance costs.

Loans and Investments

- 42% of respondents anticipate the level of investments to increase over the next three years, driven by agency securities and municipal securities.
- Over the next three years, there is expected to be an increased emphasis in consumer installment loans (credit unions and community banks) and business loans (community banks).
- Although mortgage compliance is challenging and requires many resources, over 40% of respondents indicate no expected change in emphasis in 1-4 family real estate loans, while about one-third indicated a moderate increase.
- With the expected increase in emphasis on business loans, competition for these loans is expected to increase in particular from larger regional financial institutions and community banks.
- Respondents indicated that available deposit funding and higher business loan demand coupled with low demand for other loan categories were the driving factors behind planned business lending growth.
- For those not anticipating business lending growth, weak loan demand, limited commercial loan expertise / resources, and a focus on other loan types were sited as the main factors.

Laws, Regulations, and Guidance

- Over half of the respondents indicated that staff spend the most time on compliance with mortgage regulations, with 75% expecting that time to increase in the next three years. In 2008, most time spent was on the Bank Secrecy Act / anti-money laundering (for credit unions, the Bank Secrecy Act / anti-money laundering is still the most time consuming).
- 75% indicated that time spent on deposit account compliance (including overdraft rules) is expected to increase.
- Senior management and board of director's attention to compliance is expected to increase over the next few years, as indicated by almost 92% of the respondents.
- Around 91% anticipate an increase in training expenses and software upgrades due to compliance related regulations.
- The amount of full time equivalent employees devoted to regulatory compliance is expected to increase.

General Information Regarding the Survey Respondents

Location of home office:

State	# of Respondents	%
Colorado	30	9.3%
Kansas	100	31.1%
Oklahoma	64	19.9%
Nebraska	62	19.3%
New Mexico	12	3.7%
Missouri	30	9.3%
Wyoming	24	7.5%
Total	*322*	

Entity Type:

Type	# of Respondents	%
Banks	225	69.9%
Credit Unions	81	25.2%
Savings & Loans	16	5.0%

Asset Size:

Type	# of Respondents	%
Less than $100 Million	193	59.9%
$100 to $500 Million	116	36.0%
$500 Million to $1 Billion	13	4.0%

I. Business Prospects and Challenges

1. Rate the magnitude of the strategic challenges you anticipate in the following areas **over the next three years.**

A. Performance — **Magnitude of Challenge**

	Significant	%	Moderate	%	Slight or None	%	Not Applicable	%	Total
Maintaining or increasing capital	114	35.4%	130	40.4%	75	23.3%	3	0.9%	322
Maintaining or improving credit quality	69	21.4%	193	59.9%	60	18.6%	0	0.0%	322
Maintaining or attracting retail deposits	42	13.0%	136	42.2%	119	37.0%	25	7.8%	322
Strengthening net interest margin	175	54.3%	128	39.8%	19	5.9%	0	0.0%	322
Maintaining or increasing noninterest income	185	57.6%	115	35.8%	20	6.2%	1	0.3%	321
Increasing earnings	206	64.0%	111	34.5%	5	1.6%	0	0.0%	322
Achieving satisfactory mortgage loan volume	80	24.8%	122	37.9%	71	22.0%	49	15.2%	322
Achieving satisfactory business loan volume	103	32.0%	118	36.6%	46	14.3%	55	17.1%	322
Achieving satisfactory consumer loan volume	118	36.9%	136	42.5%	56	17.5%	10	3.1%	320

B. Organization/Operational — **Magnitude of Challenge**

	Significant	%	Moderate	%	Slight or None	%	Not Applicable	%	Total
Meeting regulatory compliance requirements	255	79.2%	56	17.4%	11	3.4%	0	0.0%	322
Maintaining a secure electronic environment	147	45.7%	153	47.5%	19	5.9%	3	0.9%	322
Maintaining access to affordable payments services	80	24.8%	166	51.6%	65	20.2%	11	3.4%	322
Expanding your investment in technology	79	24.5%	196	60.9%	46	14.3%	1	0.3%	322
Attracting and retaining skilled staff and management	107	33.2%	149	46.3%	65	20.2%	1	0.3%	322

C. Economic — **Magnitude of Challenge**

	Significant	%	Moderate	%	Slight or None	%	Not Applicable	%	Total
Population loss	48	15.0%	95	29.8%	171	53.6%	5	1.6%	319
Slow growth in your community	84	26.1%	143	44.4%	91	28.3%	4	1.2%	322
Weak housing markets	80	25.0%	142	44.4%	88	27.5%	10	3.1%	320
Aging customer base	120	37.4%	150	46.7%	49	15.3%	2	0.6%	321
Lack of diversification opportunities	88	27.5%	146	45.6%	82	25.6%	4	1.3%	320
Decline in the community's primary industry	33	10.2%	110	34.2%	161	50.0%	18	5.6%	322
Other	15	41.7%	1	2.8%	1	2.8%	19	52.8%	36

2. Strategic direction: **Over the next three years** your institution will: (Check all that apply.)

	Probable	%	Possible	%	Unlikely	%	Total
Continue under the same ownership and organization structure	278	*87.1%*	30	*9.4%*	11	*3.4%*	319
Merge or sell to another organization or ownership group	12	*3.7%*	75	*23.4%*	234	*72.9%*	321
Acquire other institutions	18	*5.6%*	121	*37.7%*	182	*56.7%*	321
Establish additional branches	30	*9.3%*	94	*29.3%*	197	*61.4%*	321
Reduce number of branches	10	*3.1%*	37	*11.6%*	271	*85.2%*	318
Emphasize internal growth	170	*53.3%*	118	*37.0%*	31	*9.7%*	319

3. If you expect to expand operations **over the next three years**, what are the primary drivers and objectives? (Check all that apply.)

Increase deposits	121
Increase loans	240
Counter competition from others	82
Diversify assets and risk profile	95
Take advantage of growth opportunities in more vibrant markets	80
Grow assets to make better use of capital base	106
Other	14
Not applicable	36

4. Indicate critical factors you expect to impact competition for your institution. (Check all that apply.)

New branches established in market by existing competitors	61
Branch expansion into market by regional, national or global financial institutions	66
More aggressive pricing by existing competitors	241
New focus on small and midsize business customers by regional, national or global financial institutions	116
Other	34

5. Indicate your expectations for changes in competition for **loans** from these sources **over the next three years**.

Competitor	**Level of Competition**						
	Increase	%	Decrease	%	Stay the Same	%	Total
Community banks	146	*49.3%*	15	*5.1%*	135	*45.6%*	296
Larger regional financial institutions	183	*62.7%*	12	*4.1%*	97	*33.2%*	292
Larger nationwide financial institutions	145	*49.2%*	21	*7.1%*	129	*43.7%*	295
Thrifts	48	*16.5%*	40	*13.7%*	203	*69.8%*	291
Credit unions	152	*51.5%*	12	*4.1%*	131	*44.4%*	295
Insurance companies	82	*28.4%*	14	*4.8%*	193	*66.8%*	289
Securities firms	42	*14.6%*	24	*8.4%*	221	*77.0%*	287
Farm credit associations	161	*54.8%*	9	*3.1%*	124	*42.2%*	294
Finance companies specializing in machinery or cars (e.g., John Deere Credit, Ally, Ford)	191	*64.5%*	3	*1.0%*	102	*34.5%*	296
Mortgage companies	70	*24.6%*	54	*19.0%*	160	*56.3%*	284
Other	3	*16.7%*	0	*0.0%*	15	*83.3%*	18

6. Indicate your expectations for changes in competition for **deposits** from these sources **over the next three years**.

Competitor	**Level of Competition**						
	Increase	%	Decrease	%	Stay the Same	%	Total
Community banks	147	*50.5%*	12	*4.1%*	132	*45.4%*	291
Larger regional financial institutions	162	*55.3%*	11	*3.8%*	120	*41.0%*	293
Larger nationwide financial institutions	147	*50.5%*	20	*6.9%*	124	*42.6%*	291
Thrifts	62	*22.1%*	24	*8.5%*	195	*69.4%*	281
Credit unions	148	*51.6%*	1	*0.3%*	138	*48.1%*	287
Financial institutions with local presence limited mainly to on-line access	126	*44.7%*	10	*3.5%*	146	*51.8%*	282
Insurance companies	87	*31.0%*	15	*5.3%*	179	*63.7%*	281

7. Payment of interest on business demand deposits: Effective in July 2011, the Dodd-Frank Act repeals the longstanding prohibition on the payment of interest on commercial demand deposit accounts. How significant will this change be for your institution in the following areas?

	Significant	%	Moderate	%	Not Significant	%	Total
Expected shift in business noninterest bearing demand deposits to demand balances paying interest	58	*20.1%*	118	*40.8%*	113	*39.1%*	289
Expected changes in usage of cash management accounts by businesses	45	*15.6%*	111	*38.5%*	132	*45.8%*	288
Effect on overall interest expense	59	*20.5%*	125	*43.4%*	104	*36.1%*	288

8. **Over the next three years**, what changes do you expect for the following **funding** categories for your institution?

	Increase	%	Decrease	%	No Change	%	Total
Cost of deposit funding	244	*85.3%*	9	*3.1%*	33	*11.5%*	286
Business demand deposit balances	124	*43.7%*	35	*12.3%*	125	*44.0%*	284
Business CD balances	54	*19.1%*	41	*14.5%*	187	*66.3%*	282
Retail customers average demand deposit balances	93	*32.9%*	49	*17.3%*	141	*49.8%*	283
Retail customers average CD balances	92	*32.5%*	65	*23.0%*	126	*44.5%*	283
Customer use of sweep accounts and repurchase agreements	58	*20.6%*	38	*13.5%*	185	*65.8%*	281
Brokered deposit levels	34	*12.1%*	28	*10.0%*	218	*77.9%*	280
Internet deposits (deposits obtained from online posting services)	65	*23.4%*	7	*2.5%*	206	*74.1%*	278
Federal Home Loan Bank advances	68	*24.4%*	28	*10.0%*	183	*65.6%*	279

9. Which of the following products do you currently offer**?** (Check all that apply and indicate your future plans.)

	Currently Offer	%	Do Not Currently Offer But Plan to Over Next 3 Years	%	Currently Offer But Plan to Exit Over the Next 3 Years	%	Total
Home equity lines of credit	142	*71.7%*	39	*19.7%*	17	*8.6%*	198
2nd mortgage other than HELOCs	160	*81.2%*	19	*9.6%*	18	*9.1%*	197
Adjustable rate mortgages	139	*75.1%*	37	*20.0%*	9	*4.9%*	185
Nontraditional mortgages	77	*58.8%*	39	*29.8%*	15	*11.5%*	131
Reverse mortgages	15	*19.2%*	44	*56.4%*	19	*24.4%*	78
Online loan applications	99	*51.3%*	89	*46.1%*	5	*2.6%*	193
Electronic bill presentment	108	*57.4%*	79	*42.0%*	1	*0.5%*	188
Electronic bill payment	198	*84.3%*	37	*15.7%*	0	*0.0%*	235
Person-to-person payments	107	*58.8%*	72	*39.6%*	3	*1.6%*	182
Email/wireless banking alerts	93	*48.7%*	97	*50.8%*	1	*0.5%*	191
Mobile banking	57	*31.1%*	123	*67.2%*	3	*1.6%*	183
Check deposit by phone	29	*23.4%*	91	*73.4%*	4	*3.2%*	124
Identity theft protection	91	*51.7%*	85	*48.3%*	0	*0.0%*	176
Stored value/prepaid cards	88	*52.1%*	76	*45.0%*	5	*3.0%*	169
Credit cards	122	*79.2%*	27	*17.5%*	5	*3.2%*	154
Cash management services	83	*63.4%*	47	*35.9%*	1	*0.8%*	131
Corporate/business credit cards	91	*68.4%*	36	*27.1%*	6	*4.5%*	133
Asset management	28	*33.7%*	51	*61.4%*	4	*4.8%*	83
Remote deposit capture	93	*54.4%*	76	*44.4%*	2	*1.2%*	171
Payroll cards	22	*25.3%*	62	*71.3%*	3	*3.4%*	87
No fee ATMs	130	*78.3%*	25	*15.1%*	11	*6.6%*	166
Money remittance services	32	*41.6%*	36	*46.8%*	9	*11.7%*	77
PIN debit cards	232	*93.9%*	13	*5.3%*	2	*0.8%*	247
Signature debit cards	186	*91.6%*	14	*6.9%*	3	*1.5%*	203
Contactless payment cards	5	*6.9%*	61	*84.7%*	6	*8.3%*	72
Health savings accounts	110	*71.4%*	41	*26.6%*	3	*1.9%*	154
Insurance (life, accident and health)	86	*73.5%*	28	*23.9%*	3	*2.6%*	117
Mobile payments	34	*29.6%*	79	*68.7%*	2	*1.7%*	115
Personal financial management tools	43	*43.0%*	54	*54.0%*	3	*3.0%*	100
Reward/discount offers	49	*48.5%*	49	*48.5%*	3	*3.0%*	101

II. Loans and Investments

10. Indicate the extent to which you intend to change your emphasis on the following **loan types over the next three years**.

	Significant Increase	%	Moderate Increase	%	No Change	%	Moderate Decrease	%	Significant Decrease	%	Total
Commercial and industrial loans	18	*6.8%*	111	*41.9%*	124	*46.8%*	10	*3.8%*	2	*0.8%*	265
Commercial real estate loans (income-producing nonfarm nonowner occupied)	9	*3.4%*	86	*32.5%*	147	*55.5%*	19	*7.2%*	4	*1.5%*	265
Commercial real estate loans (construction & land development)	4	*1.5%*	33	*12.5%*	182	*68.9%*	25	*9.5%*	20	*7.6%*	264
Real estate loans 1-to 4-family (retained)	15	*5.7%*	98	*37.1%*	117	*44.3%*	14	*5.3%*	20	*7.6%*	264
Real estate loans 1-to 4-family (sold)	24	*9.8%*	81	*33.2%*	111	*45.5%*	11	*4.5%*	17	*7.0%*	244
Consumer installment loans	33	*12.0%*	124	*45.3%*	112	*40.9%*	3	*1.1%*	2	*0.7%*	274
Home equity loans or lines of credit	14	*5.8%*	64	*26.4%*	135	*55.8%*	14	*5.8%*	15	*6.2%*	242
Consumer credit card loans	10	*4.9%*	30	*14.6%*	148	*72.2%*	2	*1.0%*	15	*7.3%*	205
Farm operating loans	19	*7.8%*	96	*39.5%*	123	*50.6%*	4	*1.6%*	1	*0.4%*	243
Farm land loans	15	*6.1%*	97	*39.3%*	124	*50.2%*	7	*2.8%*	4	*1.6%*	247
Other	0	*0.0%*	2	*16.7%*	10	*83.3%*	0	*0.0%*	0	*0.0%*	12

11. Indicate the extent to which your institution's strategy includes changing the relative mix of **investments over the next three years**.

	Significant Increase	%	Moderate Increase	%	No Change	%	Moderate Decrease	%	Significant Decrease	%	Total
Level of investments (relative to assets)	20	*7.3%*	96	*35.0%*	103	*37.6%*	53	*19.3%*	2	*0.7%*	274
Treasury Securities (relative to total securities)	5	*2.0%*	32	*12.6%*	200	*79.1%*	13	*5.1%*	3	*1.2%*	253
Agency Securities (relative to total securities)	10	*3.9%*	88	*34.4%*	132	*51.6%*	25	*9.8%*	1	*0.4%*	256
Mortgage Backed Securities (relative to total securities)	7	*2.8%*	65	*25.6%*	146	*57.5%*	29	*11.4%*	7	*2.8%*	254
Municipal Securities (relative to total securities)	13	*5.1%*	82	*32.2%*	138	*54.1%*	18	*7.1%*	4	*1.6%*	255
Derivatives (such as futures, forwards or swaps)	2	*1.0%*	3	*1.4%*	188	*90.0%*	3	*1.4%*	13	*6.2%*	209

12. **Over the next three years**, what changes in competition for **business loans** do you expect from the following competitors?

Business Lending Competitor	Level of Competition								
	Increased	%	Decreased	%	Unchanged	%	Not a Competitor	%	Total
Community banks	148	*58.7%*	4	*1.6%*	85	*33.7%*	15	*6.0%*	252
Thrifts	44	*18.2%*	12	*5.0%*	108	*44.6%*	78	*32.2%*	242
Credit unions	117	*47.0%*	1	*0.4%*	85	*34.1%*	46	*18.5%*	249
National credit card brands	57	*23.6%*	4	*1.7%*	118	*48.8%*	63	*26.0%*	242
Farm credit associations	140	*56.7%*	4	*1.6%*	70	*28.3%*	33	*13.4%*	247
Larger regional financial institutions	146	*59.1%*	2	*0.8%*	77	*31.2%*	22	*8.9%*	247
Larger nationwide financial institutions	108	*44.8%*	6	*2.5%*	103	*42.7%*	24	*10.0%*	241
Finance companies	70	*29.0%*	6	*2.5%*	118	*49.0%*	47	*19.5%*	241
Other	2	*8.7%*	0	*0.0%*	9	*39.1%*	12	*52.2%*	23

13. If your institution's strategy is to **increase** business lending **over the next three years**, rate the significance of the following drivers:

	Highly Significant	%	Moderately Significant	%	Not Applicable	%	Total
Expect higher business loan demand in market area	21	*9.1%*	127	*55.0%*	83	*35.9%*	231
Change in strategic focus of your institution to develop commercial lending program	22	*9.8%*	75	*33.3%*	128	*56.9%*	225
Replace decrease in commercial real estate development lending	16	*7.2%*	55	*24.9%*	150	*67.9%*	221
Replace decrease in lending on income producing commercial real estate	11	*5.1%*	63	*29.3%*	141	*65.6%*	215
Expect low demand for other loan categories	24	*10.9%*	86	*39.1%*	110	*50.0%*	220
Available deposit funding	29	*13.1%*	93	*42.1%*	99	*44.8%*	221
Availability of capital funds under the federal Small Business Lending Program	11	*5.1%*	45	*20.8%*	160	*74.1%*	216

14. If your institution **does not anticipate increasing** business lending, rate the significance of the following factors:

	Highly Significant	%	Moderately Significant	%	Not Applicable	%	Total
Weak business loan demand in market area	46	*30.3%*	48	*31.6%*	58	*38.2%*	152
Limited commercial loan expertise or resources	20	*13.1%*	57	*37.3%*	76	*49.7%*	153
Deposit funding not available	4	*2.7%*	25	*16.7%*	121	*80.7%*	150
Capital not available	16	*10.6%*	14	*9.3%*	121	*80.1%*	151
Not a strategic focus for our institution	26	*17.4%*	44	*29.5%*	79	*53.0%*	149
Not a need for our customer base	19	*13.0%*	44	*30.1%*	83	*56.8%*	146
Focus on other types of loans	35	*25.4%*	34	*24.6%*	69	*50.0%*	138

III. Noninterest Income

15. For your institution, indicate expected changes in levels of **noninterest revenue** for the following items **over the next three years**.

	Significant Decrease	%	Modest Decrease	%	No Significant Change	%	Modest Increase	%	Significant Increase	%	Total
Debit card fee income	57	*21.9%*	61	*23.5%*	89	*34.2%*	50	*19.2%*	3	*1.2%*	260
Debit card interchange income	127	*49.0%*	52	*20.1%*	57	*22.0%*	21	*8.1%*	2	*0.8%*	259
Credit card fee income	19	*8.4%*	35	*15.6%*	146	*64.9%*	25	*11.1%*	0	*0.0%*	225
Credit card interchange income	33	*14.6%*	45	*19.9%*	129	*57.1%*	18	*8.0%*	1	*0.4%*	226
Overall noninterest income	61	*23.3%*	83	*31.7%*	57	*21.8%*	55	*21.0%*	6	*2.3%*	262

16. Indicate expected changes to **fee structures** or **account terms** you expect to implement **over the next three years**.

	Significant Decrease	%	Modest Decrease	%	No Significant Change	%	Modest Increase	%	Significant Increase	%	Total
ATM surcharges	8	*3.1%*	8	*3.1%*	135	*53.1%*	95	*37.4%*	8	*3.1%*	254
Limits on maximum per transaction amounts for debit cards	7	*2.8%*	21	*8.3%*	170	*67.5%*	42	*16.7%*	12	*4.8%*	252
Checking account maintenance, overdraft, and per item fees	6	*2.3%*	15	*5.8%*	79	*30.5%*	126	*48.6%*	33	*12.7%*	259
Proportion of accounts qualified for free checking	51	*19.8%*	63	*24.4%*	122	*47.3%*	19	*7.4%*	3	*1.2%*	258

17. Does your institution currently offer overdraft protection to customers as part of a fee based program?

Yes	%	No	%	Total
111	*41.1%*	159	*58.9%*	270

18. If your institution does not currently offer an overdraft protection program to customers indicate the reasons:
(Check all that apply.)

Charge-off expenses too high	14
Avoid compliance costs	103
Other	54

19. Overdraft plans: Federal Reserve Regulation E was recently amended to prohibit financial institutions from charging fees for paying overdrafts on ATM and one-time debit card transactions unless the customer opts-in to the overdraft service for those types of transactions. Indicate your opt-in experience below, and rate the effect of these changes on your institution.

	0 -25%	%	25% - 75%	%	75% or more	%	Total
Percent of customers that have"opted" for overdraft protection for ATM and one-time debit protection	120	*54.3%*	62	*28.1%*	39	*17.6%*	221

Rate the effect of this change in the following areas:

	Significant Decrease	%	Modest Decrease	%	No Significant Change	%	Total
Overdraft per item fee	36	*16.1%*	48	*21.5%*	139	*62.3%*	223
Debit card overdraft fee income	58	*25.4%*	64	*28.1%*	106	*46.5%*	228
Overall noninterest income	53	*23.1%*	80	*34.9%*	96	*41.9%*	229

IV. Laws, Regulations, and Guidance

20. Rank staff time devoted to the following compliance related areas (1= most time spent, 5= least time spent) and indicate whether you expect the time committed to increase **over the next three years**.

	5 - least time spent	%	4	%	3	%	2	%	1 - most time spent	%	Total
Community Reinvestment Act (CRA)	99	*43.6%*	102	*44.9%*	22	*9.7%*	3	*1.3%*	1	*0.4%*	227
Deposit account compliance, including overdraft rules	2	*0.8%*	37	*15.6%*	109	*46.0%*	60	*25.3%*	29	*12.2%*	237
Bank Secrecy Act / anti-money laundering compliance	0	*0.0%*	12	*5.1%*	53	*22.4%*	101	*42.6%*	71	*30.0%*	237
Compliance with mortgage regulations, including RESPA, TILA and Regulation Z	14	*6.0%*	9	*3.9%*	33	*14.2%*	52	*22.3%*	125	*53.6%*	233
Other	21	*27.3%*	20	*26.0%*	15	*19.5%*	11	*14.3%*	10	*13.0%*	77

	Decrease	%	No Significant Change	%	Increase	%	Total
Community Reinvestment Act (CRA)	7	*3.0%*	187	*79.6%*	41	*17.4%*	235
Deposit account compliance, including overdraft rules	1	*0.4%*	60	*24.8%*	181	*74.8%*	242
Bank Secrecy Act / anti-money laundering compliance	2	*0.8%*	83	*34.2%*	158	*65.0%*	243
Compliance with mortgage regulations, including RESPA, TILA and Regulation Z	6	*2.5%*	45	*19.0%*	186	*78.5%*	237
Other (describe)	1	*1.2%*	31	*36.5%*	53	*62.4%*	85

21. Indicate how you expect senior management and board of director's attention to compliance oversight, policies and resource planning will change **over the next three years.**

	Significant Increase	%	Increase	%	No Change	%	Decline	%	Total
Expected change in board and senior management attention devoted to compliance oversight	118	*45.4%*	121	*46.5%*	21	*8.1%*	0	*0.0%*	260

22. Estimate the budget impact of each of the following compliance management strategies for your institution **over the next three years.**

	Budget Impact								
	Significant Increase	%	Increase	%	No Change	%	Not Applicable	%	Total
Hire staff with compliance subject matter expertise	47	*18.1%*	114	*44.0%*	82	*31.7%*	16	*6.2%*	259
Technology software upgrades	69	*26.7%*	165	*64.0%*	23	*8.9%*	1	*0.4%*	258
Outsourcing of internal audit or external consultant fees	65	*25.1%*	131	*50.6%*	61	*23.6%*	2	*0.8%*	259
Training expenses	71	*27.4%*	165	*63.7%*	23	*8.9%*	0	*0.0%*	259

23. Indicate how many full time equivalent (FTE) employees are devoted to regulatory compliance in your bank.

	Less than 1 FTE	%	1-3 FTE	%	4-5 FTE	%	5-10 FTE	%	More than 10 FTE	%	Total
Current FTE devoted to compliance	62	*24.0%*	180	*69.8%*	10	*3.9%*	5	*1.9%*	1	*0.4%*	258
Expected FTE devoted to compliance **over next three years**	24	*9.3%*	173	*67.3%*	49	*19.1%*	7	*2.7%*	4	*1.6%*	257

24. Please list your most compelling reasons for optimism about the future of community depository institutions.

- Relationships with customers, in good times and bad.
- We've survived the worst crisis, which helped us see that our Directors are very interested in our survival.
- make of bank marketing area
- A successful local economy depends on access to strong, community-focused depository institutions. Studies suggest strong growth in entrepreneurship coming out of the recession, and these companies typically work best with community banks. If community banks do their job well, they will remain relevant, and will effectively compete against national and large regional institutions.
- Customer service is greater at a smaller bank
- Community banks are big on customer service and take good care of customers.
- The American and Community spirit for success will bring properity again as soon as the government gets out of the way.
- For those in agricultural & oil producing areas, commodity prices are very good, and this aids deposits, machinery & equipment, and land purchasing.
- Community bankers know their communities, regardless of what the regulators believe.
- People like personal service and some are even willing to pay for it.
- Current policy will force large institutions to takeover smaller banks which will be a short term wind fall for community bank owners.
- Customer service and familiarity with customer base.
- There will still be a demand for face to face banking.
- Our Employees and their commitment to our customers
- 1) THERES IS NOT MUCH. ITS GOING TO BE UP TO WASHINGTON WHETHER THEY WANT TO KEEP COMMUNITY BANKS.
- The fortunes of community banks and the communities they serve are so closely related, this aligns the purpose for existing so closely that a market relationship will more likely be healthy and mutually beneficial.
- Still can serve customers much more personally than other institutions.
- Depositors and borrowers have a need for our services. Although they have more non-bank options to acquire those services, we are able to remain competitive.
- Under the current administration, I have no optimism.
- Hopefull that many larger institutions are still not interested in the small, lower populated areas. Also, it is easier to get deposits with the internet, of course, rates are always a determining factor.
- Customers still like to bank where they're known
- Our interests and success are tied to the community. We either both succeed or both fail.

- Customers see that community bank's work for the benefit of community as a whole within its trade area so less likely to fall into the all out "greed" mode as did to big to fail and mortgage lenders.
- personal relationships with customers
- We know our customers Ability to approve loans locally
- The public wants good service that they can count on getting from a community bank. They will remain loyal due to the exceptional customer service.
- the market is shrinking
- Clients want to deal with local banks they know and trust
- I don't have one. I think community banking as a whole is going to crash.
- None
- None
- Small communities are struggling population wise, but remain fairly loyal to the hometown ownership.
- none
- Not much optimism.
- Continuing publicity of deceptive practices by large national financial institutions.
- customer relationships with community banks.
- A migration of customers back to community banks because that is who the bank serves.
- Having the ability to offer more custom soutions to people.
- Local decisions, local use of funds
- Community banks build lasting relationships with their customers.
- IN OUR AREA THE AG ECONOMY IS STRONG AND OUR CUSTOMER BASE WANTS TO KNOW WHO THEY ARE DEALING WITH. THEY DON'T WANT TO BE JUST ANOTHER NUMBER.
- Community banks will always be needed to meet the need of the consumer in our communities, helping our customer deal with life changes that larger organizations can not see or feel that they need to help with.
- None at the moment.
- Our bank has been above average in both growth and income during some challenging times.
- Community banks typically have niche markets. Many community banks will become targets for acquisition due to size and scale infrastructure issues. Also regulatory burden will drive a lot of older managers out of the business, providing opportunities for acquisitions.
- our Staff
- relationship banking is back due to misdeeds of large out of area competitors and mortgage brokers

- We have access to about all of the technology of the large institutions now and can offer the close personal service and continuity in the community that the larger banks cannot.
- I truly feel that the community depository institutions still offer more to their customers in customer service and their effort in taking time to listen to the customer. Community bankers also have a love of their community and it shows in the activities they participate in.
- Support of the community
- WE HAVE A GREAT STAFF AND GOOD CUSTOMERS
- It is a proven FI model that consumers like.
- Republicans will take control of the Senate and Obama will be a one term president.
- People that know about us enjoy the way we conduct business and we are not super agressive about growth. Our challange is just expanding our reach to more customers through referrals to maintain ourselves through the next 10 years or so.
- Community Bankers doing their job.
- At some point, policy makers will realize that community banks are not simply a novelty representing a by-gone economic era, but rather a key factor in overall credit availability in our country. The absence of a healthy community banking industry will mean less credit available to support small and medium sized business, which endeavor to increase the employment base rather than decrease it, as is the custom of their large business brethren. At some point, policy makers, acting in their own self-interest, will see value in taking steps to ensure the conntinued health of the community banking industry rather than contributing to the demise of it. I guess I'm optimistic because community banks have to survive in order for the country to thrive economically.
- small business owners want relationship banking. Community banks do a bettr job on this as perceived by the small business owners.
- Customer are loyal to people they know.
- Community banks(those that are truly community banks and not those thay "say" they are community banks) continue to serve an important role in the vitality of the communities they serve---responsive to local needs, flexibility in providing service, personal approach to banking still is recognized by those desiring responsive, quality service.
- I am not aware of any optimism for community depository institutions
- Community Banks are the backbone of financial services providers in a majority of areas of the country, and for those that are able to survive the predicted shrinkage in the industry, they will continue to play a prominent role in their communities.
- There is a need for community banks, however the smaller will have to merge, becoming branches of larger regional banks. Community banks have beaten down by bureaucrate and their regulations. I don't think the small banks will survive
- Have very little optimism but southeastern Wyoming economy looks poised for good growth over next few years.
- Community banks will continue to offer a higher level of service to customers than national and regional banks using a standard model in their customer service area. Customers needing financial advice will still want to discuss their financial matters with someone they know and trust.
- Quality of service
- This is still a service that is valued by most people, they like to know there bankers and communicate with them face-to-face.

- Loyal customer base.
- We have a good economy from Wyoming and we are a long way from Washington.
- Community depository institutions still know their customers and market better than large regional and national banks. As a result, they can be innovative and responsive to customer and market needs.
- Technology can level the playing field and I don't have a lot of overhead in branches.
- None, Washington has ruined the business
- There are still over 7,000 of us (community banks), and the majority of Americans work for small business. Here in north central Oklahoma people are tied into "local", and we benefit from being in this community for over 100 years...Air Defense (vance air force base), agriculture (wheat hub), oil and gas, as well as being a regional medical hub seem to be industries that are doing okay. Local - committed - closely held ownership is a positive.
- The comunity bank is a vital part of all US communities.
- Continued community involvement.
- There is none, under the present regualtory enviornment, most will be forced to sell to regional institutions within the next five years.
- COST OF COMPLIANCE, REGULATION COST FOR SMALL BANKS ARE THE SAME AS FOR VERY LARGE BANKS
- The integration into the community causes us to be a valued resource to our friends and neighbors. The community understands that we play a vital role in their town.
- Community is recognizing their significance and contribution.
- Not optimistic
- Dispite news headlines, people in our section of the country continue to have faith that banks are good providers for fair and reasonably priced financial products and services.
- Preference for personal service
- None
- We are close to the customers.
- There will always be a certain segment of the population that want to bank at a place where they are known. Also, community banks are best suited to provide service to the small to mid-size ag and business customers in a rural setting.
- The ability of community banks to offer customers one on one service. Also, decisions concerning services such as loans, new accounts etc. can be handled more expeditiously.
- I have very little optimism for the future of small one location community banks such as ours.
- Personal service attitude
- absolutely none
- community banks have always and will continue to service its community. we live here, contribute funds and support the community.

- Community Bankers are important parts of our local economies. The people of our towns understand that. Now we need to get them engaged in helping us help elected officials and regulators to understand that. Based on the Senate's action today regarding the Tester-Corker Amendment, those officials still do not understand our story.
- community banks are the heart of the financial sector. We do and will continue to serve the vast majority of our population.
- We provide necessary services to the small communities we serve. We have good long time customers and good long time employees.
- CUSTOMER SERVICE
- Community banking is the core of the financial system. Without community banks the local community sacrifices service and access to financial products
- Community Banks are still needed
- WHAT OPTIMISM????????????????????????????????????
- Because we know our customers and they know we will work with them through good and bad times.
- Most small communities realize the importance of having a strong local bank. If we loose our local banks many communities will disappear.
- I don't have much optimism.. We are a small bank. Regulatory compliance is killing us. We need to spend more time being a bank!
- Community banks support their community economic growth. They make money the old fashion way, on net interest margin, not fee income and non traditional forms of off balance sheet activities. Personal service and concern for the customer.
- There aren't any. Between regulatory overkill and general public mistrust and disdain for banks, I believe community institutions are an endangered species.
- Person to person delivery of financial products and services.
- Recovering economy
- More direct, face to face contact with customers & ease of customers being able to have direct contact with a person
- After 40 years I have little optimism now, but things have looked dismal before: Farm Crisis, S&L mess, deregulation, then massive regulation. However, few hopeful signs are on the horizon right now. Congress adhers to the big money players demands which have nothing to do with what's good for America!
- AGRICULTURAL OUTLOOK IS POSITIVE SMALL TOWN BUT BUSINESSES ARE DOING WELL
- Ability to provide superior customer service. The reputation of the large banks have taken some hits in recent years
- A community based depository institution is uniquely positioned to help its community prosper. I hope the light bulb comes on with Congress and they recognize this fact.
- I do not have much optimism for the banking industry in general with all the ridiculous regulations that a small community bank has to endure.
- Can't think of any
- Personal relationships will continue to be important to both loan and deposit customers, and community banks lead the industry in high touch business.
- Customers like to be close to their money.

- Customers value the relationships and service they receive from community bank, and their bank is there for them in good times and bad.
- None--the entire regulatory climate is totally against banking. The companies who created the issues seem to be missed in the changes--more burden on Community Banks--the future as it now looks--actually is very depressing!
- Members/customers still want personal customer service, which is lacking at most, if not all, large financial institutions
- Bankers and the work we do in our communities
- Community banks that are locally owned have a vested interest in the community and their bank. They provide better customer service & understanding of their communities.
- Well capitalized and continued focus on the customer and the community.
- Community banks provide excellent service to clients.
- Our community depository institutions are the business and consumer bank of choice. We have all the tools to compete with the larger national brands in the area and better skilled people.
- Pending Economic Growth in US economy and strong farm economy in midwest
- COMMUNITY BANKERS "KNOW" THEIR CUSTOMERS AND WHAT THE AREA NEEDS. THE BANK EITHER "LIVES OR DIES" BY THE AREA IT SERVES. WE HAVE TO MAKE IT IN OUR AREA--WE DON'T HAVE ANY OTHER CHOICE.
- personal touch & we know our customers and can help them better than anyone else, if the government and regulations stay out of the way & don't regulate the wrong things to the wrong people.
- Sorry, no optimism period!
- community banks serve their communities first and Wall Street serves itself
- All the big banks are technically broke and only a few people, like KC Fed Chairman, know it
- The ability to provide what are customers desire in financial services, knowing the customer and providing convenient locations and hours. Being able to make local decisions
- People still need a safe & reliable place to bank. They will still need personal service and thats what we plan to do.
- General Ag Economy
- Community banks like ours are the economic engine that communities need to prosper and thrive. Our customers are loyal and will continue to support local community banks.
- Unfortunately I can not name any sources of optimism for community banks.
- Consumer demand for community bank service level and to avoid mega bank low deposit rates and high fees will continue to positively impact community banks.
- There is still demand especially in smaller communities for the services community banks provide. These banks understand the needs and risks involved in their communities that large national banks do not. Community banks are quicker and more responsive in meeting these needs.

• Able to adapt quickly
• Little optimism about the future of small community banks. Regulatory intrusion and compliance burden will shrink the opportunity for traditional community banking. Special purpose organizations have some hope. However, I believe most organizations under $500 million in assets will end up being rolled into larger organizations.
• Community Banks focused on service quality will have a competitive advantage in smaller communities.
• Faceless nature of larger competitors
• Distinct customer base that does not find available alernatives attractive
• Economy will improve
• The public distrust of big institutions and the political scene
• Rates cannot continue this low much longer. More normal interest rate spreads will return when rates rise. Hopefully the Fed will not lose control by keeping rates so low for so long. We need a gradual increase over then next few years. Once employment gets better a larger pool of consumers will return to borrowing which is our best source of income.
• Economy will turn around
• Government tax policy to create incentives for economic growth and modest regulatory relief.
• Without them we would be at the mercy of the large financia institutions.
• i believe people will want to continue to do business with smaller organizations that are service oriented and community friendly
• We have outstanding people in our community
• credit unions are a friendier more personnal financial institution, less fees and usually better rates on loans and savings
• Consumer awareness of least cost alternatives to do their banking.
• I do not have alot of optimism for the future. The picture is looking pretty bleak.
• No optimism. Anticipate more government control which will cause consolidation of community banks into larger institutions where federal oversight and control will be easier to accomplish
• large banks can not know the customers like the small banks do.
• It is hard to be very optomistic when Congress keeps piling on regulations while the large banks and unregulated seem to go on their merry way with little change.
• Consumers still prefer to deal with community bankers and bank personnel who they know and see in their communities.
• Size allow them to respond to changes before larger regional and national entities can. Strong capitalization of many of these institutions.
• MEMBER LOLALTY

- Community depository institutions are faster to respond to customer needs. It's not the big that eat the small but the quick that eat the slow. Unfortunately, the government protects the slow ("too big to fail") and creates an artificial business environment dominated by large banks that have failed in the execution of their business plan, but know that failure can only result in more government funding. Only small community banks are in danger of failure. It's that competitive edge, the real chance of failure, that is the difference between large banks and community banks.
- Our community has had the highs and the lows. We learn to tighten our belts for those low times.
- Loyal members of our not-for-profit financial cooperative.
- Customers want the choice and the security they feel a smaller local institution offers.
- Our area of the state/nation is maintaining jobs and income. Loan growth has been good.
- we are a strong-financially sound instition and I believe there are many more like us..
- Personalized service-we know what our customers need and want.
- Safety and soundness will have continued importance to the consumers which will continue to support 'flight to safety'
- Consumers prefer smaller, locally owned financial institutions
- our customers need our service which is based on trust and ethics
- As with many community banks, we serve our customers needs and can take care of those needs at the "local" level.
- We are the heart of rural Nebraska communities and are needed for those communities to maximize their potential.
- The most compelling reason is that to imagine a Untied States without a strong community banking industry would be to imagine a world where the average person would have no access to plead his own case and ask for individual attention. If there are no community banks, or if their power is eviscerated, this nation will see civil unrest. I am optimistic about the future of community banking because in times of economic stress, the only institutions which provide reliable and reasonably priced credit for small business are small local banks. WIthout community banks, our nation would survive, but the common people would soon figure out that they have no control over their financial destinies and the growth creating opportunities would be stifled at their roots.
- America
- Customer relationships and service. Support of community.
- Current Bad PR for Mega Banks
- We are providing great value to our members.
- We do a good job serving the underserved community.
- Economy seems to be heading a more positive direction than in 2008 and 2009. Customers are more aware of their financial picture resulting in financial institutions becoming more aware of what programs it will take to attract and keep customers.
- That the consumer still sees value in a locally owned, community invested CDI and places a premium on the option of a face to face relationship.

25. Please list the most significant challenges community depository institutions must overcome to be successful in the future.

- Huge regulatory burden. Economies of scale for large institutions allows for below market pricing.
- As Banks failed and we swallowed up by larger national banks, the level of competition increased. Plus, more regulation are easier for larger banks to absorb than community banks.
- regulations
- Cost burdens associated with regulation and regulatory oversight threaten the profitability of small banks. Banks must seek efficiency in order to offset these costs, and may be forced to exit business lines (ie. mortage lending, HELOCs, etc.) due to regulatory burden. The unforeseen consequences will be detrimental to competition and to consumers and small business as a result.
- High regulatory burden Weak economy and employment
- The way the FDIC is handling the problem banks and the banks it is closing is causing significant problems in the marketplace. Both the policies for the way these problems are resolved and the significant delays in the resolution are creating more problems in the economy.
- The regulatory burden and its costs are a significant hurdle for a community bank to be able to stay in business. A big advantage to the too big to fail institutions.
- Restrictive Government regulations that prevent or discourage prudent banking practices that lead to the success of customers, employees, and the bank.
- Compliance costs money and for small community banks with limited human resources, there are not enough employees to satisfy the compliance issues and still provide good service to our customer base.
- Staffing and additional cost to implement and monitor the plethora of new regulations. Community Banks are not mega banks, and should not be regulated as such. Good business have troubled times, it does not mean they are crooks.
- Transferring fixed costs, particularly in the compliance and audit areas, will not be able to be spread across a larger asset base.
- Current national policy is destined to eliminate 50 to 75% of community banks and the consumers will no longer get customized service by the surviving national banks. The majority of service and lending decisions will be made by individuals with no knowledge or ties to the communities. The de-population of rural America will continue and accelerate. All the new regulations will never replace a decision maker living in and caring for his/her community.
- Far too many compliance rules that do not have any actual benefit to either our bank or our customers. Most of the problems the new compliance regulations are supposed to solve do not apply to our bank.
- Tax free status of credit unions and Farm Credit. Unfair advantage of Farm Credit obtaining fund on Wall Street. Increaseing Compliance and assessments on small banks that are not or will not be the cause of a financial crisis.
- To comply with existing and proposed regulation. To have a fair playing field when much of what happens in Washington is done through lobbist and who can sway Legislation to favor one industry over another, yet having nothing to do with being fair. Congressman whom are more concerned about how to get reelected rather than making sure good data is being given them and that they understand what they are doing while drating legislation. Not removing or appleaing existing regulation which is unneeded and in many instance contributed to the Real Estate Bubble.
- Compliance and regulations. Loan quality

- N/A
- 1) INCREASED REGULATIONS KEEP DRVING UP COSTS WHCIH MUST BE ADDRESSED IF WE WANT TO KEEP COMMUNITY BANKS. COMMUNITY BANKS SHOULD NOT BE EXAMINED THE SAME AS LARGER BANKS. COMMUNITY BANKS HAVE NOT CONTRIBUTED SIGNIFICANTLY TO THE ECONOMIC, LENDING AND BANK FEE PROBLEMS OVER THE PAST SEVERAL YEARS, YET THEY ARE HAVING TO PAY MORE ON A $ PER ASSET BASIS FOR THE COST TO COMPLY WITH THE REGULATIONS. WE SPEND MORE TIME TRYING TO ADAPT TO NEW REGULATIONS THAT NEW LOAN DEVELOPMENT.
- Social trends, bigger more intrusive government, manipulation of political/regulatory decisions by institutions too big to fail, blaming the wrong folks and implementing punitive regs, irrational and unsustainable decisions by well intentioned authorities . . . .
- A federal government that is racing toward socialism and control of pricing of bank products and profits.
- Keeping up with the cost to implement all the new regulatory changes created by the Dodd/Frank act. Small community banks will suffer the most.
- We are simply unable to compete with the statutory tax advantage and the funding advantage farm credit organizations possess. They are also expanding their loan activity to projects that are not agricultural in nature. The competing farm credit organizations make the great percentage of the farm land loans in western Kansas.
- 1) Reputation. 2) Government must reduce the role it plays in our business. No one wants too big to fail, but that's the result we'll get with the new regulatory environment. We must stop our thinking that the consumer is always the victim and quit trying to protect them on every single issue. 3) Decreasing returns will push many bankers to get out. Margins aren't there and costs of doing business are increasing rapidly.
- Compliance, compliance, compliance as well as decreasing and aging population.
- Time and Investment in compliance with regulations (both deposits and loans).
- Compliance
- Ridiculous compliance issues that neither benefit the customers, bank, shareholders, or financial industry.
- Level the playing field as to taxation benefited advantage of credit unions and farm credit system. I think we have forever lost to the capitatives as unwilling to place customers in negative equity positions. Also new we would not be bailed out, GMAC to Ally Bank with FDIC insurance.
- Compliance issues and low interest rates.
- excessive regulation by various govermental entities
- over regulation
- Competition for loans with the government subsidized agencies (i.e. Farm Credit) and auto/equipment dealerships that offer low/no interest loans and recoup the foregone interest with higher product prices.
- the planned obsolence instigated by the too big to fail doctrine and other social engineering public policy directives
- The over whelming changes in compliance and new regulations
- The regs added each year on small banks that are not hurting anyone is going to be a killer. Outside funding to our customers by instutions that do not have to play by the same rules is not fair to community banks.

- Over-zealous regulators
- Regulatory compliance
- COMPLIANCE COMPLINACE COMPLIANCE
- Look at the trends since the 1980's. The number of banks is continues to go down and the size of the largest institutions market share is growing. There is no compelling changes in site to reverse that trend. Unless fundamental changes are made in regulation the community bank will continue to disappear. The more regulation imposed the more community banks business is driven to non bank entities.
- Rules and Regulations and harsh exams.
- Difficulty of small institutions staying abreast of constantly changing burdensome federal regulations.
- Competition from non-bank compaines making loans and endless compliance issues.
- The unending deluge of regulations will create an environment where community banks will be unable to provide products or even credit to it's customers. Our resources will be spent complying with regulations instead of assisting our customers.
- Competing cost wise with larger regional and national banks.
- Over regulation and compliance.
- We have discontinued making home loans. This troubles us greatly as we feel a community bank should be doing this for their community. For many years we filled a niche as many of the larger lending instutitions did not want the "small" home loans in our lending area. We were able to do these for our community/customers. With all the new regulations and hurdles to we have to jump through and the training required to stay on top of the regulations, we have been forced to discontinue making residential real estate loans. The rules that were set forth to help consumers have actually hurt them and community banks. We are aware of many small community banks in our area that have discontinued this type of lending. It is a very unfortunate result of all the regulatory burden imposed on small community banks when it comes to making these types of loan. I hope that in the future there is enough backlash over this issue that there will be a streamlined process for small residential real estate loans and that we and many other small community banks can include these in our product mix. It will be a win/win situation if this ever were to happen.
- THE CONTINUED EVER CHANGING COMPLIANCE RULES AND REGULATIONS THAT OUR COSTING MORE DOLLARS AND DEMAND MORE EMPLOYEE TIME WHICH IN TURN EFFECTS OUR BOTTOM LINE.
- The paperwork and regulatory burden that is being put on the community banks due to the way the larger organizations operate will continue to be a considerable problem for smaller community banks.
- Constantly increasing regulatory and compliance burdens. Pressure to merge or be acquired.
- Staff required to meet regulatory compliance standards and challenges to maintain adequate fee income needed to maintain profitability.
- Attacting and retaining qualified, experience managers.
- regulation
- too much regulation too much regulation too much regulation
- The costs in employee time in dealing with overregulation aimed at the problems of mainly large institutions but being unfairly applied to all institutions.

- Continuing compliance burdens and changes mandated to current deposit and loan offerings. Continued need for capital and offsetting income lost by changes in regulations.
- Compliance with Lending regulations and Interest Rate Income.
- TIME SPENT DEALING WITH COMPLIANCE
- Stifling regulatory environment and highly irresponsible federal government fiscal policies.
- Our challenge is the continued decline in our population.
- Regulatory burden and credit quality issues
- Compliance over-load Economy
- The first challenge will be to maintain core earnings sufficient to offset losses that will be incurred to clean up bank balance sheets over the next few years. Low short-term rates help, but a more robust economic recovery would be far more beneficial, as fewer loan and OREO losses would be incurred overall. Once bank balance sheets are repaired, the scope, magnitude and costs of new regulation, intended to eliminate the risk of repeating the sins of the past, will pose significant challenges for community banks.
- controlling operating costs and complying with current regulations.
- Compliance, size limitations (legal lending limit), finding and retaining quality people in small areas.
- Regulatory burden and cost of that burden. Complexities of regulation that do little to add value to "small business/consumer" banking. Regulation is counter productive when banks eliminate product offering because of regulatory burden, i.e. Escrow requirements, Interchange fees-debit card, SAFE Act, mortgage loan officer compensation rules. Costs go up----service goes down!
- Regulations and legislative issues
- Severely burdensome regulatory environment; possible elimination of many community banks due to acquisition/merger.
- Regulatory Changes From Dodd Frank Bill
- Heavy regulatory burden
- Rasing Capital
- Biggest risk has shifted from asset quality to government regulation. New regs that have already driven some good borrowers to use other sources (cash in investments instead of borrowing).
- Regulatory issues will dominate the future in both compliance and cost as well as our ability to attract good quality loans and investments.
- Increased regulation and compliance
- Compliance and Regulatory burdens have posed the most challenge to community banks. Community banks will be spending more of their overhead expense on compliance and regulatory requirements. Most of the issues occured in large "too big to fail" banks but we're all paying the price.
- Maintaining a healthy NIM.
- Single biggest chalenge by far is the growing regulatory burden. We will probably add 2 employees this year and they will both be in the compliance area.

- Community banks must maintain capital ratios higher than that of large regional and national banks. As a result, return on shareholder investment is much less profitable and there may be increased pressure to consolidate or sell. Additionally, lower capital deployment availability due to increased capital ratio requirements compared to large banks restricts community banks' ability to compete with the product pricing of the large banks.
- Compliance, decrease in fee income, cost of technology.
- Lack of knowledge of governmental influences.
- 300 new bank rules and regs. 50 new mortgage lending rules and regs. unintend consequences are killing us too much too fast and it is not fixing the real problem
- Compliance - too much stuff - Community Banks did not cause the Financial Crisis of 2008, yet we are getting over regulated because of this. Competition - Especially Credit Unions - There are over 7,000 of them as well - has way too much of an unfair advantage by not having to pay taxes. The "wussification" of America by our Politicians...It seems America's legacy of self-reliance is going away - "Ask not what your Country can do for you, but what you can do for your Country" - Why don't we hear those famous words anymore. I have been out of college for nearly 25 years, and people seem more angry than ever, and love to point fingers...Also, it is more challenging than at any other time in our Country's history to start a business.
- The biggest is making sure that Community Banks have the capital needed to perform lending that will stimulate the economy. The second item is making sure that Community Banks are receiving the needed income volume to offset loses related to either prepaid card or debit card losses, due to fraud or just overdrawn accounts.
- Lack of growth opportunities.
- Capital & obtaining good staff
- Loss of fee income, lack of loan demand, cost of compliance with regulations.
- NON INTEREST INCOME, AND COST OF REGULATORY ISSUES, COST OF COMPLIANCE
- Over regulation, keeping us from being competitive and allowing us to fulfill the credit needs of our community. If the government continues on its current path we will be destined to be their puppet, unable to create innovative alternatives that meet the needs of the community.
- Overburden of regulatory changes. Attitude by regulators that institutions below a certain threshold are not viable. Price fixing by legislative branch. Declining non-interest income due to price fixing and legislators who don't understand the business.
- Over abundance of increasing regulatory requirements. Only the large institutions will have the capacity to monitor and comply.
- Too much regulation forces bankers to devote resources to compliance and superficial procedural burden, taking away from availability to meet customer needs and assist them with their financial situations. The majority of banks never participated in any deceptive or abusive practices, but we are penalized along with the players who did, most of which weren't FDIC regulated financial institutions to begin with. We find ourselves saying no to customers for compliance/burden reasons, in lieu of making decisions related to financial and credit risk reasons.
- compliance regulations
- Increased Regulation, Parity with Non-Bank Competitors, Poor Economy, High FDIC Premiums, Over reactive regulatory action.
- Government controls and regulations. Unregulated competiton and government sponsored entities.

- Regulatory and a level plyaing field.
- The massive and overwhelming amount of regulation that is coming down from Washington. The popular mindset that banks are bad guys.
- The single greatest challenge will be to remain as a locally owned community bank while being able to afford the costs associated with all the regulatory and compliance issues. The trend appears to be to force further merger and acquisition, whether specifically intended or not. This in time will have the effect of removing locally owned institutions from the hands of owners who are proactive in the growth, welfare and maintenance of the small communities and in to the hands of non resident owners who do not have the same goals and interests in mind.
- Compliance with complicated & non-applicable regulations that are the result of large institutions that apparently can do whatever they want until they get caught.
- Compliance issues
- Absorbing increased regulatory burden, maintaining modest noninterest income to offset increasing operating costs, retaining trained/skilled employees, hiring qualified persons at entry level positions.
- Greater cost of compliance, decreasing margins (decrease in traditional income sources), the current community bank model will become irrelavent
- limiting interchange income, increased costs due to increased regulations and regulatory supervision. Increased regulation on the banks that didnt cause the crisis will be a budget strain to keep up and maintain increased govt. regulatory pressures.
- Communication without whining.
- Adapting to the new social media to reach Gen.Y and develop ways to reach and retain this new customer base.
- The overwhelming number of new and proposed regualtions has taken the fun out of community banking and I would expect some closely held banks may call it quits. Review our UBPR and you will see we did not do some of the stupid things other banks did before the recession. But now we are paying dearly for it through increased regulations and decreased earnings. The recent escrowing provisions and current proposals to Regulation Z for home loan lending will severly impact our ability to compete and make home loan lending profitable. Banks that keep 100% of their loans in their portfolio should have to follow less stringent rules. We have loan policies in place (that examiners have looked at for years) to keep our lenders in line with safe and sound banking practices. We don't transfer our loan risk onto someone else. Additionally as far as escrowing goes, we are notified by the county and insurance companies if our mortgage customer does not pay their taxes or insurance, and we make sure these items are taken care of. The Fed needs to take a hard look at how the recently failed vote to delay "swipe fees" will impact community banks. There is not a bank in Oklahoma over 10 billion in assets but our ATM/Debit card processor still cannot tell me how much our interchange income will be reduced, but they say it could be significant. The fed cannot keep printing money by buying their own debt. Low interest rates are not encouraging people to borrow money and they should be increased modestly to create some investment incentive from the people who are sitting on cash to invest it. The average person in our community is not borrowing because they have little confidence that their job is secure, that gas is not going to keep going up, and that they can continue to afford their grocery bill. Registering home loan lenders at federally regulated banks for the SAFE act is ridiculous.
- COMPLIANCE & NON BANK COMPETITION
- Regulations which in many cases are nonapplicable to community banks under $250 million but must spend time and resources complying with.
- Washington and little knowledge of the industry

- The massive beauracy , regulatory over-oversight, burden and stupidity by regulatory agencies(particularly to include the FED)are significant challenges when given the fact that all of them have lost sight of the impact their actions have on Community Banks. I firmly believe they could care less about Community Banking, in particular the smaller institutions. There are no community bankers at the FED anymore. Frankly I have lost all confidence in the Federal Reserve. Their present monetary policy has been a dismal failure including bailouts, stimulus, knee jerk regulations, increase in regulatory burden in spite of VEILED promises of regulatory relief, artificial manipulation of interest rates to almost zero,borrowing short and lending long, flawed inflationary monetary policy and overcharging/overpricing the crap out of its customers (community banks) while bemoaning large money center banks and their fees and charges then strapping community banks with expensive, onerous and stifeling rules and regulations. A good example of fixing the problem is that we use to make mortgage loans with no fees or closing costs just to provide our customers a service and provide a venue to them for mortgage loans in a small town. Well, by the time regulators got done fixing the housing meltdown, we had to get out completely of mortgage financing due to inability of a small town bank to adhere to new requirements. We have almost completed closing our account with the FED due in most part to we cannot afford their fees and costs to do business with them.
- lack of jobs which then results to less population in the area.
- ALL THE NEW AND CHANGING REGLUATIONS.
- The most significant challenges we face are keeping up with the regulatory changes. These changes do not generate income for the bank. The other challenge is the credit unions and larger financial institutions with all their branches.
- Ever increasing burden of regulatory reform and issues that for the most part should not be placed on community banks that still operate under a traditional manner and did not get off the reservation by feeing customers to death and taking risks that are unrelated to traditional banking and neither they or the regulators understand the risk profile until it is too late.
- Reducing regulatory requirements to a reasonable level with nonbank financial providers subjected to similar requirements commensurate with size; and restoring public trust and confidence in the banking system. The government in general has to stop the crusade of treating the consumer as a mindless victim every time he or she has to pay for a good or service they believe should be free, unless the mission really is to be a socialistic society. If that is the case, I will just stop worrying about the future of community banking and find something else to do now.
- Attracting a significant numbr of people with this type of service expectation, (person to person)with out the virtual world banking.
- Too much regulatory burden!!!
- Increased regulation and competition from FCS
- Regulatory Compliance
- Qualified staffing,compliance with regulations that may have no real economic value
- Massive costly burdensome and often absurd regulation, higher capital standands, poor economy and weak loan demand in the face of more and more non-banking competitors including tax free credit unions and FCS . . . which makes no sense! In the meantime the mega banks that led our economy to the cliff are already back making billions while a good community bank can't sell for 70 cents on the dollar. You tell me whose winning! Like always!
- REGULATORY COMPLIANCE BURDEN IS TOO COSTLY AND TIME CONSUMING FOR SMALL COMMUNITY BANKS!
- The cost of complying with the ever evolving list of regulations and the financial ability to continue to upgrade as bank technology advances

• Lack of a level playing field when it comes to competing with the Farm Credit System. Stifling requlatory burden and impact of low interest rates and high commodity prices have had on agriculture real estate.
• With all the expenses/regulations that a small community bank has to pay there is very little chance to make money. Without the people to loan money to and the low interest rates, small banks have few income opportunities.
• Regulatory burdens that, in many cases, have been promulgated by a Congress that was more focused on getting reelected than in doing what was best for financial services customers. Had Congress, the Fed, the FDIC and the other financial regulatory bodies been paying any attention to what was happening in the 1990's and 2000's, the Great Recession could have been largely averted. Where were all those supposedly learned bodies when 125% home equity loans were allowed to morph into SIVs, CDOs-squared, etc.
• Community banks may be buried beneath a crushing mound of consumer compliance, while they already serve the consumer the best possible way. Redundant and impractical regulations may drive the ordinary consumer to non-bank entities such as payday lenders, who don't have to comply with regs.
• Dealing with excessive consumer compliance regulations. Dealing with excessive governement interference. i.e. swipe fees. Dealing with eratic government policy and tax policy. Dealing with the government......
• Regulatory burden, too big to fail policies, compliance
• 1) Regulatory burden; 2) unfair burden--with none on Credit Unions, FCS etc. 3) Removal of "non-interst income and increased costs 4) Any other business would tell the goverment to "stick it".
• Dealing with the 'one size fits all' attitude of the regulatory agencies. Community depository institutions are definitely NOT too big to fail and appear to be held to a higher standard than large multinational financial institutions (and we don't get paid near as much!)
• Regulators, Regulators, Regulators
• Frud losses
• Compliance, compliance, & compliance. The regulators need to concetrate their efforts on banks casuing the problem not the community banks that did not!
• Regulatory burden Maintaining asset quality
• Regulatory burden, concentration of power in largest banks, and government policy that protects too big to fail institutions.
• Regulatory compliance
• Continue to keep up with the changes in technology that the customers demand and to meet the regulatory requirements that are often misapplied to our institutions.
• Regulatory burden is far and away the most significant challenge community banks face.
• Over regulation by Government and regulatory compliance
• OVERREGULATION AND UNFAIR COMPETITION.

- Over regulation which puts smaller community banks at a significant competitive disadvantage. Almost all decisions in Washington & by regulators favor "bigger" rather than community banks. This is combined with aging community bank owners who can't find qualified sucessors which has the major risk of increasing mergers/sales of small local banks. This might not be overly bad in the short run as dozens of once locally owned single (or limited number of branch banks) become part of larger organizations. However, during the next major downturn (which will certainly come) when these larger banks with many branches are losing money & look at where to cut - they will find those formerly independenly owned banks (in small towns across America) which are now their less profitable &/or unprofitable branches & close them - to the significant disadvantage of small rural communities accross the country. This process has already started with the massive regulatory & other requirements coming from Washington & regulators since the financial meltdown.
- Government interference and increased regulations in order to create more jobs for government employees
- the burden of regulations new and old
- N/A
- Compliance and technology. High costs in these areas make it hard for small institutions to remain viable. Bigger institutions can spread these costs over more loans and deposits, reducing the per account costs. I see more experienced bankers leaving the industry because of the overwhelming compliance burden. Therefore, we will lack the experience of bankers who went throught the 80's farm crisis, for example.
- We need the regulatory burden to lighten up, especially on the consumer/mortgage side. Just becasue a few bad apples spoiled it for everyone else, those guilty need punished not al of us.
- competitive pricing
- Compliance with ever-changing regulations.
- The burden of compliance with banking regulations are extremely costly to community banks and are mostly unnecessary and excessive. Increased overhead including technology and compliance is impacting small bank profitability and ultimately future viability.
- The regulatory burden for "small" community banks is entirely to burdensome for the size and scope of organizations our size.
- Regulatory burden, continued elimination of fee income sources and higher compliance costs makes it difficult to be profitable. Squeezed interest margins and regulatory pressure for Increased ALLL also squeezes the profit margins. Inconsistency in regulators, and constantly changing rule and guidelines (unwritten) make it difficult to second guess and anticipate what regulators are looking for in bank exams.
- First, the regulatory burden will increase significantly to the extent that the very small banks may not be able to afford to meet the requirements. Secondly, the slow economy will continue to impact banks due to low loan demand and the high level of competition for quality loans. Accordingly, net interest margins will be impacted.
- Regulatory burden
- The regulatory and compliance burden is excessive. The number one thing that will kill community banking. The search for high quality loans is difficult at this time but the outlook improves as there is economic recovery. Community banks must enhance their use of technology both to attract a new generation of customers and to enable expansion of their footprint without excessive dependence on brick & mortar.
- Competition from Regional and National Banks. Consumer Protection Regulations & Compliance. Significant reductions in fee income.
- Unintended consequences of recent regulatory reforms

- Appealing to younger customers.
- Regulations
- Over regulations brought on by government reaction to isolated pockets of concern instead of proactively targeting the areas of concern.
- Reduction of debit card interchange income will have a huge impact on us if the current law remains. Our customers will pay dearly in higher fees to offset this loss of income. New ATM regulations (ADA) will reduce the number of ATMs available as old marginal machines must be retired in 2012.
- Spread management Fee income especially Debit interchange
- Increased regulations and loss of non-interest income. Unemployment in economy and depressed real estate market.
- Compliance
- Increasing net margin
- regulatory compliance issues, and the cost that is associated with them. the rules/regulations are constantly changing and not always for the benefit of the individual or institution.
- Added rules and regulations
- Community depository institutions must find a way to replace the income they will lose from reduced debit card interchange. Even those institutions under the cap will still suffer with lost income and potential loss of card programs and the ability to service their customers and members. It is important for smaller financial institutions ot find a way to replace this income to stay a viable option in the market.
- increasing income to keep capital from declining, keeping up with regulations, competition with national financing(auto financing)recruiting younger people as members.
- Regulatory oversight and focus will continue to increase, as well as legislative changes that will reduce margins.
- regulatory burden. Loss of income due to new regluations.
- Regulations that take away our ability to generate revenue and loans.
- The cost of government oversight and compliance.
- Compliance has become a high-risk area and resources devoted to compliance are too high... and going higher.
- A lack of understanding by the President and Congress on the importance of community banks within their communities. They tend to promote the big banks over community banks.
- 1. Regulatory burden trickle down to small banks. 2. Compete with "too big to fail" national banks 3. Examination inequities between "too big to fail" and small banks.
- Regualtory burden and cost of compliance. Lack of consideration of the cost of compliance by congress and regualtory agencies.
- I am not optimistic about the future of community depository institutions. These institutions are under attack from their regulator and the federal government. The "too big to fail" mentality in government has translated to "too small to survive". To survive a community depository institution must competively occupy a viable niche and provide exceptional customer service.

- Regulatory issues and reduction in fee income due to legislation
- Congress and the regulatory burden
- Burdensome and poorly-thought-out regulations with a one-size-fits-all approach.
- Lower fee income on debit cards. Fraud.
- the new regulations in compliance and loss of noninterest income is overwhelming
- Keeping up with fast changing regulations and increasing costs of doing business with less income.
- We don't get the impact of economies of scale that larger institutions do and the larger institutions can spread the cost of regulation over more customers and their larger asset base.
- Replacing baby boomers with a younger generation who has less money to deposit and shows little or no loyalty in banking relationships.
- Costs for technology and commpliance
- Governmental regulatory effect on accounts/fees Governmental regulatory effect on productivity Housing values Possible double dip recession
- economies of scale seem to be slanted toward larger financial institutions. Included in this is how to wear sufficient hats to satisfy the slew of government regulation and still give good service to our customer at reasonable rates.
- The regulatory landscape continues to change as regards "consumer protectionism" The non-bank entities that took advantage of so many consumers, plus those consumers that wanted something for nothing, are now making us all pay for their excesses. Many community banks didn't stray from their original mission of providing good sound banking services and financial advice to their customers. But now Congress is reacting to the cries of these consumers who allowed themselves to be taken advantage of and we, the community banks, will bear the brunt of this increased regulation all done in the name of safeguarding the consumer. The time and energy spent in contending with all this increased regulation detracts from the ability to make money doing good banking business with good solid customers. That will be the challenge for all of us involved in community banking.
- Escalating compliance burden, regulatory restrictions on product offerings and how those products can be priced, competition with financial entities that pay little if any taxes, hiring and retaining qualified staff and the deflating of a possible bubble in the Ag economy.
- There is only one significant challenge--evertyhing else is manageable---and that challenge is a poltical one--the practice of the government enacting banking rules to benefit one class of financial institution over another. An example is allowing Farm Credit associations and credit unions to have substantial and insurmountable preferential tax advantages. Those entities will, over time, get more powerful and gain more market share, and community banks will be forced to increase credit risk to maintain acceptable income. Other examples of the political assault on community banks are virtually every provision of Dodd-Frank. The policy changes made by the Congress and signed by Mr. Obama will have the impact desired by those who write our banking laws--the largest ten banks in America--and that will be more competitive advantage for them and less advantage for the common person. There is no way we are moving in the right direction on banking policy. Each year brings a new layer of compliance snares, reagrdless of who is in charge--which are traps for the innocent. These additional regualtions are more often than not too broad and the cost of compliance is far greater than any benefit obtained. These transactions are relatively simple--we lend other people's money to someone for a house, a car, a business, and this money must be paid back, or the collateral is forfeited. This is not complicated, and the compliance should be dramatically simplified to give consumers the information they need without making compliance a trap for the innocent.
- Regulations

• Board and senior management fatigue. Increased competition from both bank and nonbank financial organizations. Hiring and retaining competent personnel. Escalating compliance costs and not having the economies of scale to absorb these cost thereby reducing profitability. Reliance on crucial services provided by third-party vendors and not being able to effectively control costs associated with these vendors.
• Competition from big financial institutions, low loan demand, low collateral values, regulatory changes effecting Non Interest Income...
• Arrogant Legislators and Regulators. Generating new and diverse sources of revenue.
• Increased compliance burdens and regulatory changes- price fixing by regulatory bodies on interchange fees.
• Technological advances Fraud Astute product pricing
• The CDIs breakeven size is increasing materially due to shrinking margins, increased overhead (compliance) and congressional/regulatory revenue constraints. The industry will continue to consolidate and be replaced by non traditional providers.