Remarks by
Martin J. Gruenberg
Acting Chairman,
FDIC Conference
on the
Future of Community Banking
February 16, 2012

Good Morning. Welcome to this Conference on the Future of Community Banking. Let me begin by thanking all of you for attending this conference. I would also like to thank our outstanding speakers who will be participating in today's program, as well as the FDIC staff who worked with great energy and dedication in organizing this event.

Why, you may ask, is the FDIC hosting this conference on the future of community banking?

First, community banks play a crucial role in the financial system of the United States. Community banks with assets of less than $1 billion account for a little more than 10 percent of the banking assets in our country, but provide nearly 40 percent of all the small loans that insured financial institutions make to businesses and farms. Given the labor intensive, highly customized nature of many small business loans, it is not clear that large institutions would easily fill this critical credit need if community banks were not there. Community banks also play a crucial role in extending credit and providing financial services in rural communities, in small towns, and in inner-city neighborhoods. In many of those localities, if not for the community bank there would be no easy access to an insured financial institution. In my view there is a clear public interest in maintaining a strong community bank sector in the U.S. financial system.

Second, questions have been raised, often by community bankers themselves, about the future role of community banks in the financial marketplace. They identify challenges such as keeping up with rapidly changing technology, raising capital, attracting qualified employees, and meeting regulatory obligations, as well as the general trend toward consolidation in the banking industry.

Third, the FDIC is the lead federal regulator for the majority of community banks in the United States and the insurer of all. In those capacities, it seems to me, the FDIC has a responsibility to use our resources to gain a better understanding of the challenges facing community banks and to share that understanding with the banks as well as the general public.

For that reason, the FDIC will be undertaking a series of initiatives over the course of this year related to the future of community banks, of which this conference is the first.

Following this conference, I will be holding a series of roundtables with groups of community bankers in each of the FDIC's six regions around the country. I will be joined at those roundtables by the FDIC's senior executives for supervision so that we can hear first hand about the concerns of bankers and what the FDIC can do to respond to those concerns.

I have also asked the FDIC's Division of Insurance and Research to undertake a comprehensive review of the evolution of community banking in the United States over the past 25 years, to identify the key challenges facing community banks as well as the stories of successful community bank business models, and to draw conclusions from that analysis that may be useful for community banks going forward. We will have a presentation on some of the preliminary findings of that research on our first panel this morning. It does strike me that for all the attention community banks have drawn, there is still a need for more thoughtful and careful research and analysis about the role that community banks play in the U.S. financial system. That is a gap the FDIC would like to fill.

In addition, I have asked the Directors of the FDIC's Division of Risk Management Supervision and Division of Depositor and Consumer Protection to review the examination process for both risk management and compliance supervision, as well as to review how we promulgate and release rulemakings and guidance, to see if we can identify ways to improve our processes and communication while maintaining our supervisory standards.

I expect to report by the end of this year on the progress we have made on all of these initiatives.

In regard to today's conference, we are privileged to have three outstanding keynote speakers: Federal Reserve Board Chairman Ben Bernanke, whom I will introduce momentarily; Representative Shelley Moore Capito of West Virginia, Chairman of the Subcommittee on Financial Institutions and Consumer Credit of the House Financial Services Committee; and FDIC Board Member Thomas Curry, who previously served as Banking Commissioner of Massachusetts and Chairman of the Conference of State Bank Supervisors.

We will also have four panel discussions. As I mentioned, the first session this morning, titled "Community Banking by the Numbers," will give you some of our initial FDIC research findings on community banks, along with the perspectives of other prominent research analysts.

The second panel, "Challenges and Opportunities for Community Banks," will be made up of community bankers who will talk about the challenges they confront every day and the market opportunities available to them.

After lunch, the third panel, titled "Why Community Banks Matter: Customer Perspectives," is composed of individuals who use community banking services including representatives of small business, consumers, and farmers. They will discuss why they do business with community banks.

Finally, we will close the day with a fourth panel titled "Lessons Learned and Successful Strategies: The Community Bank of the Future." Community bankers whose institutions weathered both the most recent financial crisis and previous crises will share their experiences, their reasons for success and longevity, and their plans for the future.

I think this will be an extraordinarily insightful program, and frankly I am looking forward to it.

If I may, I now would like to introduce our first keynote speaker, Federal Reserve Board Chairman Bernanke.

Last Updated 2/16/2012