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Welcoming Remarks by James Bullard, President and CEO
Fourth Annual *Community Banking in the 21st Century* Research and Policy Conference
The Federal Reserve System and the Conference of State Bank Supervisors (CSBS)
St. Louis, Mo.
Sept. 28, 2016

Good morning, and welcome to the Federal Reserve Bank of St. Louis. The St. Louis Fed is again proud to serve as the host site for the *Community Banking in the 21st Century* research and policy conference. This year marks the fourth consecutive year of the conference and the fourth time the Federal Reserve has partnered with the Conference of State Bank Supervisors on these proceedings.

When the Federal Reserve and the CSBS first began this endeavor, our primary goal was to identify and bring forward the latest research on community banking from a cross section of academic institutions and regulatory agencies. I think we have been successful in meeting that goal. By the conclusion of this year's conference, we will have presented nearly 50 papers, with more than twice as many papers submitted as accepted. These papers have addressed a range of issues of importance to community banks, to regulators and to policymakers. This conference has given us a forum to discuss the findings and debate the policy recommendations.

One theme consistent throughout these conferences is something I hear during my discussions with bankers across the Federal Reserve's Eighth District: A strong banking system supports strong communities and ultimately leads to a strong economy. Or, said more simply:

Strong banks. Strong communities. Strong economy.

The 10 papers in this year's conference—through their analysis of the community bank business model, their exploration of the relationship between community bank size and performance, and their assessment of the regulatory issues facing community banks—all ultimately support this core idea.

For example, this year we'll hear about the changing composition of minority depository institutions within communities they serve; another paper offers us a model for thinking about how commercial and agricultural lending by community banks impacts state-level employment

and gross state product; and another paper provides evidence that community bank use of “soft information” is an acceptable substitute for “hard information” (such as credit scores) for loan types where the bank has developed an expertise.

In addition to the excellent academic research, the effort on the part of the state banking commissioners to administer a national survey of community banks is proving its value. For example, last year’s survey was cited by the U.S. Government Accountability Office in a report it released last December on the impact of Dodd-Frank regulations on community banks and other financial institutions. The survey was also cited by the White House Council of Economic Advisers in a brief on community bank performance released last month. Further, the survey and survey data have been requested by several academic institutions, and I was pleased to see that the data from the 2015 survey was even used in a paper that will be presented during the second research session of this year’s conference.

Although you’ll have to wait until tomorrow to see the results from the 2016 survey, what you’ll learn is that the findings in the survey and the anecdotal information gathered by the state banking commissioners to supplement and amplify the data will come back to that same core principle I mentioned earlier:

Strong banks. Strong communities. Strong economy.

There are two other additions to this conference that I’d like to mention before turning the conference over to the researchers, the moderator and the community bank discussant in our first research session.

The first is the Community Bank Case Study competition that our partners, the Conference of State Bank Supervisors, piloted last year and conducted nationally this year. Encouraging students at the undergraduate level to develop an understanding and interest in our banking system, and in community banks specifically, is absolutely essential to the future viability of our banking system. They are our future researchers, policymakers and bankers—the investments we make in them today will pay great dividends.

And I must say, from what I can tell from the winning case study paper prepared by students from Southeastern Louisiana University and from the incredible personal stories of the students on the team, the students just might steal the show at this year’s conference. The work of these students and of all of the students in the competition shows how a single community bank has impacted its community and its region.

Finally, I'd like to mention the video montage that you saw when we kicked off the conference a few moments ago. The montage is comprised of videos from a series titled "Community Banking: In Your Community and Beyond Your Community."

Since early September, the conference committee has released two of these videos per week in the lead-up to the conference. In the videos, community bankers and state banking commissioners discuss how a single bank can not only motivate a local success, but how that success can have impacts well outside the bank's local community and into the broader economy. In fact, I think Joe Kesler of First Montana Bank in Libby, Montana, who is featured in one of this year's videos, put it best when he said:

"Every day you walk into the bank, you do not know what little loan that you're making, how it might transform not just that person's life, but the community and potentially even the nation."

I encourage our audience here to develop relationships, too. As Julie mentioned, we deliberately build an audience comprised of researchers, regulators and bankers. I've found in my years of attending and sponsoring conferences that some of the best discussions take place during networking breaks, and I understand that some great relationships have already been built through these proceedings the past three years.

I look forward to another great conference this year. I thank you all for joining us either here in person or via our interactive webcast and look forward to seeing how the discussions here can help foster a stronger banking and regulatory system, leading to stronger communities and ultimately leading to a stronger economy.