Kentucky Bankers Association

Washington Trip Notes:

While it may not be of value, given how slow things are to change in DC, I have prepared my notes (in no organized manner) for your consideration.

- Farm Credit System is the 6th largest financial institution in the US and is the only GSE that lends directly to consumers.
- No cost/benefit analysis has been done for CECL. Stop and study legislation is being considered by Congress. There is no assurance of passage.
- Flood program must undergo a total change. We cannot continue to build and loan in flood prone areas and expect the government to continue to pay. Flood zone maps need to be rewritten to truly reflect potential for flooding.
- CFPB is attempting to remove all discretionary data points in HMDA and raise the number of loans needed to trigger requirements.
- Ability to repay for QM must allow for flexibility for special situations like farmers and self-employees.
- 1/3 of all banks are sub S. Tax Act of 2017 changes on sub-S expire in 2025. Banks need certainty.
- There are 1.3 million more jobs than there are people to fill them. That is causing wages to rise.
- Debt is decreasing while real estate prices and equity are increasing.
- Kentucky's top import partner is China
- On a federal basis, individual income tax receipts far exceed corporate tax receipts.
- US government interest expense will exceed social security expense by 2044.

Notes from FinCEN:

- Beneficial ownership registry would be difficult to manage.
- US is the last developed country to adopt the beneficial ownership rule.
- SAR means "something ain't right." When completing a SAR think who, what, why, when, how. Use the checkbox answers, unless none apply, then use other.
- CTR tracks money flow. Despite requests to the contrary, CTR amount should be lowered rather than increased, as people carry less cash. Identify CTR exemptions and follow them.

From Treasury:

- Treasurer Mnuchen works closely with the regulators to push for modernization in regulations and consistency in examinations.
- Recognize that tailoring of regulation is essential.

From CFPB:

- Elder abuse continues to be a primary topic that CFPB wants to discuss. The number of SAR's for elder abuse have quadrupled between 2013 and 2017. Money lost to seniors is substantial.
- Banks need to report elder abuse more frequently and sooner to local law enforcement and Secretary of State's hotline.
- We suggested that CFPB start an immediate help line for HMDA issues.

From FDIC:

- There is real concern about loss of community banks because they make 40% of all small business and farm loans.
- The number of community banks being lost through failure or merger etc is twice as fast as larger banks. In 1990 there were more than 13,000 banks under $100M in assets—in 2019 that number had shrunk to less than 1200.

From OCC:

- They are convinced that FASB should be issuing guidance soon on CECL, with the help of the regulators.
- OCC has performed some basic estimates of impact of CECL on capital (monitoring on a bank by bank basis).
- Banknet has a lot of practical information regarding training of examiners on CECL.
- They said four staffers have been trained on CECL so far to discuss the resolution of analysis issues before implementation date.
- No findings/reports of exams on CECL will be issued until the analysis has been fully vetted with the bank and the portfolio manager at the OCC.
- CECL should require only incremental changes in reserve requirements.
- CRA changes are being reviewed by the regulators together.
- Hemp is not considered an unduly risky industry by the OCC.