# Remarks by Martin J. Gruenberg
## Chairman, FDIC to the
## Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) Outreach Event;
## L. William Seidman Center, Arlington, VA
## December 2, 2015

Thank you all for being here, and welcome to the FDIC's Seidman Center.

This is the sixth and final outreach event hosted by the OCC, Federal Reserve, and FDIC under the Economic Growth and Regulatory Paperwork Reduction Act, or EGRPRA. Our previous outreach sessions in Los Angeles, Dallas, Boston, Kansas City, and Chicago featured a diverse range of banking organizations as well as representatives from consumer and community groups and other interested parties. These sessions have provided specific and constructive feedback and numerous concrete suggestions. We are looking forward to hearing directly from today's panelists and audience members as you share with us your suggestions about ways we can streamline banking regulations.

The banking agencies have issued three Notices of Proposed Rulemaking to solicit written comments, and the fourth and final notice will be released this month. These notices are available on our websites and on the EGRPRA website for the Federal Financial Institutions Examination Council, or FFIEC. We will carefully review the written submissions received during the open comment period as well as the comments we hear at our outreach sessions. I also want to point out that we are expressly inviting comments on newly implemented rules as well.

The regulatory review process is one we take very seriously. A particular interest of the FDIC is the impact of our regulations on community and rural banks. As you know, the FDIC is the primary federal regulator for the majority of the community banks in the United States. Community banks play a critical role in our financial system. The FDIC's Community Banking Study showed that while community banks hold 14 percent of the banking assets in the United States, they account for approximately 45 percent of all the small loans to businesses and farms made by all banks in the United States. [1]

In addition, nearly one in five U.S. counties—including small towns, rural communities, and urban neighborhoods—would have no physical banking presence if not for the community banks operating there. The basic business model of community

[1] FDIC, "Community Bank Study," December 2012. https://www.fdic.gov/regulations/resources/cbi/study.html

banks—careful relationship lending, funded by stable core deposits, and focused on a local geographic community that the banker knows well—remains highly viable and actually held up quite well during the recent financial crisis. The essential role of community banks in our financial system underscores the importance of conducting a comprehensive regulatory review to identify areas in which the burden can be reduced while preserving supervisory standards.

Thus far, several themes are emerging through the EGRPRA process. We have heard frequent comment from participants that regulators should consider whether laws and regulations based on longstanding thresholds should be changed—for example, dollar thresholds for transactions requiring an appraisal and asset thresholds on the size of the institutions eligible for longer examination cycles. Commenters also have asked that we ensure that supervisory expectations intended for large banks are not applied to community banks—the so-called, “trickle down” effect—and that regulators have open and regular lines of communication with community bankers. We have also heard concerns about burdens and costs related to Call Reports and suggestions for improving the process, especially for community banks.

As the EGRPRA process is unfolding, the banking agencies are not waiting to take action. For example, the FFIEC has established a process for identifying how some Call Report requirements can be streamlined. In September, the federal banking agencies issued a proposal for comment that includes the elimination or revision of several Call Report data items. We also announced that we will accelerate the start of a statutorily required review of the continued appropriateness of the data collected in the Call Report and are evaluating the feasibility and merits of creating a streamlined version of the quarterly Call Report for community banks.

We are talking with community institutions and their trade associations to get their views on reducing reporting burden. This has included visits to several institutions to get a better sense of the report preparation process. We are also reaching out to banks and savings associations through teleconferences and webinars to explain upcoming reporting changes and to clarify technical reporting requirements.

Finally, I would like to mention three initial actions the FDIC has taken in response to EGRPRA comments. First, we issued Q&As to aid applicants in developing proposals for federal deposit insurance and to provide transparency about the application process.  Second, we issued new procedures that eliminate or reduce the number of applications to conduct permissible activities for certain bank subsidiaries organized as limited liability companies, or LLCs.

In addition, we issued a Financial Institution Letter to the banks we supervise describing how the FDIC will consider requests from S-Corp banks to pay dividends to their shareholders to cover taxes on their pass-through share of the bank's earnings, when those dividends are otherwise not permitted under the new capital rules.

We will continue to look for other ways to reduce or eliminate outdated or unnecessary requirements as we move forward with this review.  For example, based largely on comments we have received during these outreach sessions, we have formed an interagency working group to review the appropriateness of dollar thresholds for transactions requiring appraisals and other requirements of the interagency appraisal regulations.

As you can see, we still have a lot of work to do.

Let me conclude by thanking you all for your participation today, and we look forward to hearing your comments.