



CFPB Seeks Input from CBAI Regarding Regulatory Compliance

July 6, 2012

The Consumer Financial Protection Bureau (CFPB or Bureau) recently sought input from the Community Bankers Association of Illinois (CBAI) regarding regulatory compliance for community banks. Specifically the CFPB was trying to get a better understanding of the compliance systems and resources available to community banks and the costs community banks incur to become compliant with various regulations. CBAI reached out to its' Executive Committee members who provided a wealth of information to assist the CFPB in understanding the regulatory regiment for community banks.

The Bureau representatives were interested in the resources community banks rely on to access and understand regulations as well as assisting them with compliance. The sources most often mentioned by our bankers were internal staff (with the proper expertise and qualifications), associations including the CBAI and ICBA, outside consultants including auditing firms, attorneys, and regulators. We provided the Bureau with CBAI's extensive education catalog and highlighted the popular and very successful Community Bankers for Compliance Program.

The CFPB asked where community banks received legal guidance. We responded that most rely on outside versus in-house counsel and may retain several different firms depending on their respective areas of expertise.

They were interested in the amount spent annually (both in time and dollars) on outside compliance services and internal monitoring. We reported a significant difference on these expenditures primarily depending on the community banks size and business model. We noted the compliance burden falls particularly hard on the smaller banks as they are unable to spread these costs over a large number of customers, but that there is a significant burden on all community banks.

Finally, the Bureau was very interested in suggestions from community bankers about improving the regulatory implementation process. Our Executive Committee members asked for simplification of regulation, specific language to minimize differing interpretation by examiners, plan language training materials with additional resources such as checklists, a user-friendly searchable Q & A resource, and access to someone who is responsible to answer very specific questions and to have those answers carry weight with the examiners.

The information provided by CBAI was helpful in providing the Bureau with insights on the compliance challenges confronting community banks. We are hopeful this information will help inform the future rulemaking process and minimize the negative impact on community banks in complying with the various banking laws, rules, and regulations. We thank the Bureau for the outreach to CBAI and our Executive Committee members for their observations and recommendations.