

Banking In Michigan

Tim Jewell
MBA Chairman

David Worthams
Policy Director

Alex Morris
Advocacy Manager

mboi

Michigan Bankers Association

MBA Mission Statement

**To advocate for and
support the banking
industry.**



The Michigan Bankers Association

- The Premier Representative of Michigan Banks
- Established in 1887
- A Tax Exempt Non Profit Corporation
- Formed to Protect the Interests of Michigan Banks in Washington and Lansing
- Represent 108 of the 121 banks with a physical presence in Michigan
 - From the smallest banks to Bank of America
 - 79% of MBA Members have less than \$1 Billion in assets
 - 65% of MBA Members have less than \$500 Million in assets

MBA Advocacy Team



**Rann
Paynter &
CEO**



**Patricia
Herndon
Executive
Vice
President,
Government
Relations**



**David
Worthams
Policy
Director**



**Alex Morris
Advocacy
Manager**



**Debbie
Mitin
Trust
Director**



**Mary
Rettenmaier
Administrative
Assistant**

Dual Banking System



National
Banks



Banks



Federal
Associations/
Savings &
Loans



Savings &
Loans



Federal Credit
Unions



Savings
Banks



Credit Unions



Michigan Bankers Association

Banking & Community

Banks Receive Deposits

- Safety
- Investment for Individuals and Organizations

Banks Use Deposits to Meet Credit Needs of the Community

- Individuals, Mortgages, Consumer, Auto
- Business, Job Creation, Business Origination & Growth
- Municipal Finance

Banks

- Pay Taxes
- Adhere to Community Reinvestment Act to
- Ensure Deposits Taken in a Community
- Equate to Credit in the Community

Banks are periodically examined by state and federal regulators in a number of areas.

- CFPB
- FDIC
- Federal Reserve
- OCC
- DIFS

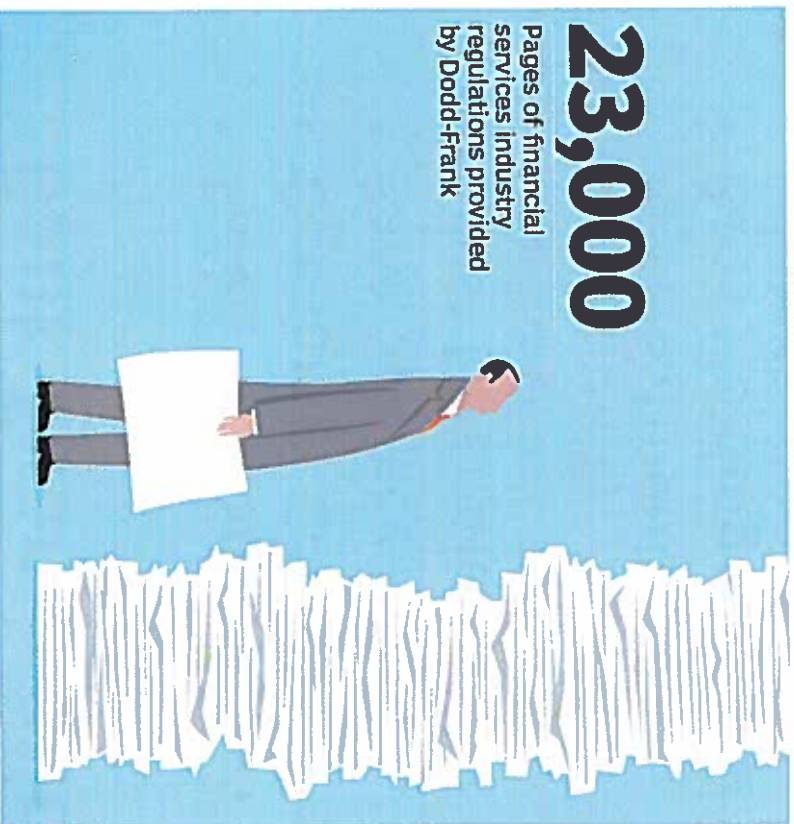
Bank Examinations

- Safety and Soundness
- Consumer Compliance
- Bank Secrecy Act
- Trust Operations
(when chartered)
- Community Reinvestment Act
- Bank Holding Company Organization
- Anything Else that CFPB Throws at Financial Institutions

What The Dodd Frank Act Did

The Large Number Of Regulations

- Over 15 million words of rules
- Over 13,800 pages of rules
- More than enough to fill 28 copies of *War & Peace*

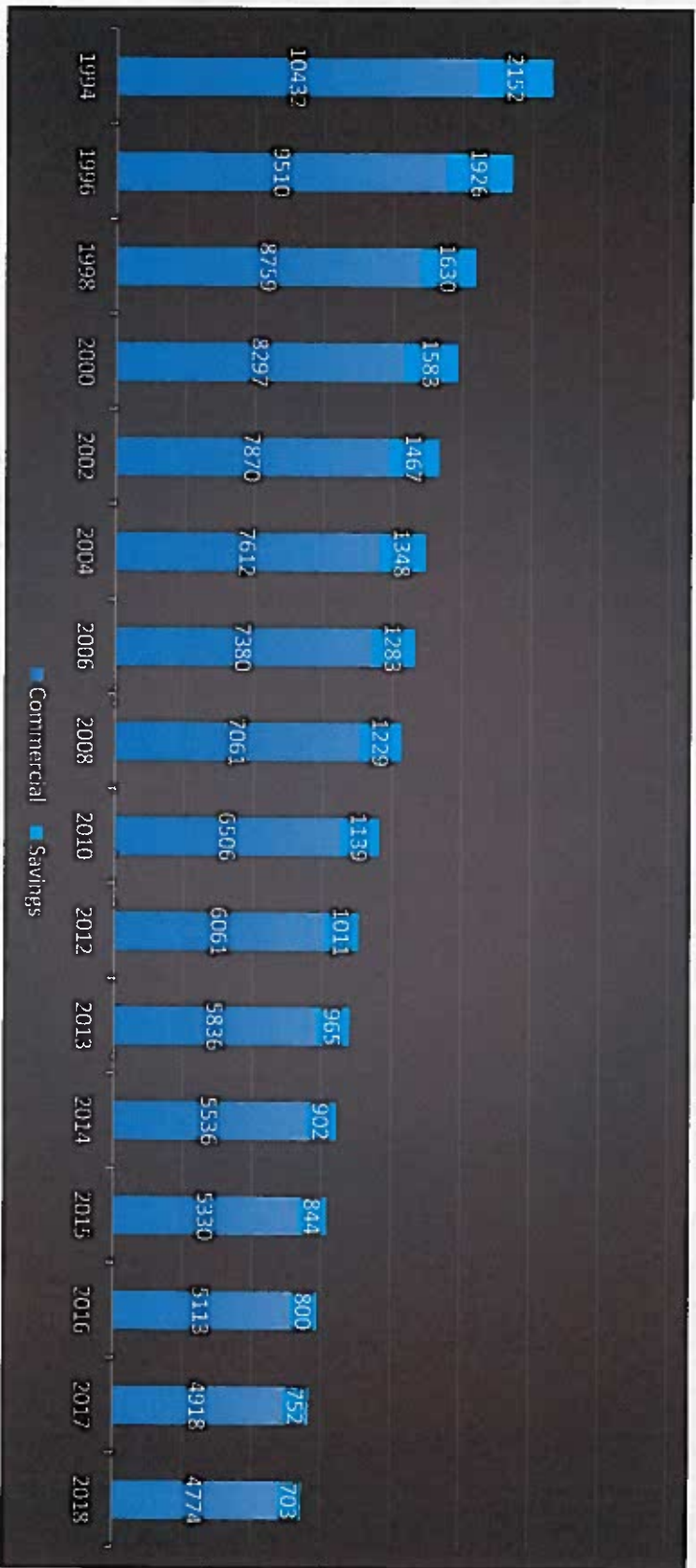


Houston We Have A Problem

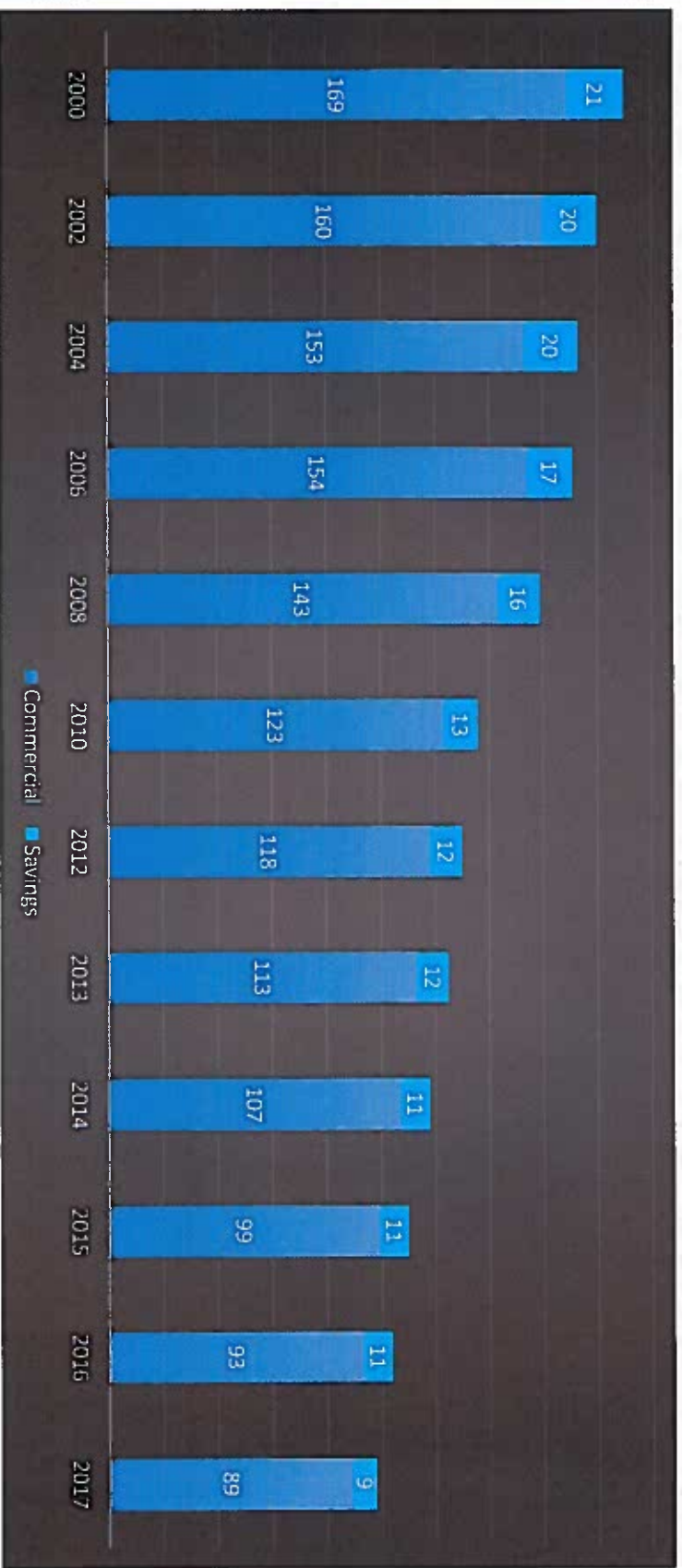
- Banks are the most regulated industry of all sectors in the Financial Services Marketplace
- Other sectors with less robust regulators often do not have scheduled examinations to ensure compliance with regulations

Trends in Michigan Banking

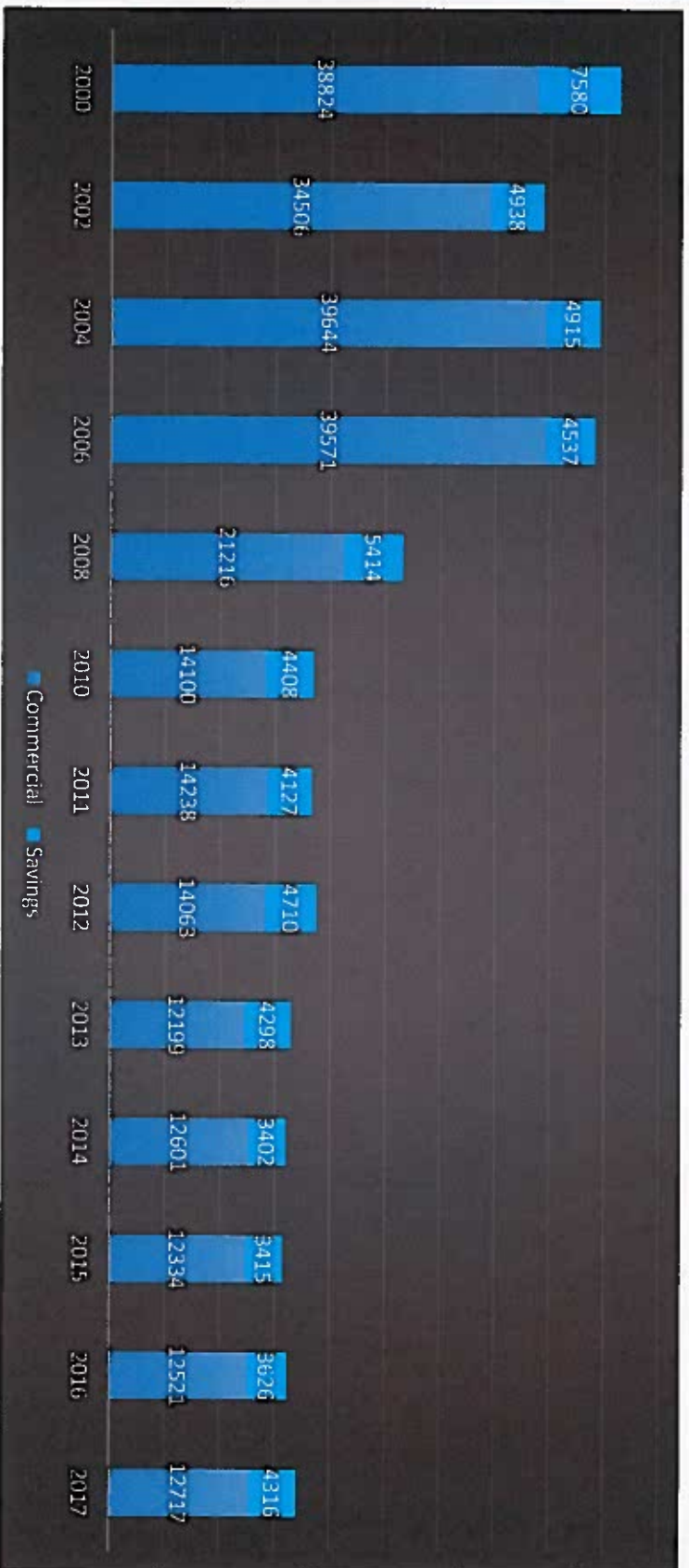
Number of Institutions – Nationwide



Number of Institutions – Michigan



Full Time Employees – Michigan Banks



Issues For Consideration

Marketplace Inequality

Despite Offering
Most of the Same
Products and
Services to the
Same Customer
Base There are
Serious Inequities
Between Banks
and Credit Unions

- Rapid Growth in Billion Dollar Asset Credit Unions; 8 in 1991 /291 in 2015
- HMDA Data Shows Michigan Credit Unions Lend Less than 20% to Low-income and Moderate-income borrowers
- 99.5% of Credit Unions have the Authority and Lending Capacity to Make Additional Loans to Small Businesses without Any Change in Statute
- **POLICY OPTION:**

Cyber Security/Data Breaches

Michigan banks dedicate millions of dollars annually to data security and adheres to strict regulatory and network requirements.

- We work to prevent or quickly detect fraud in all its forms
- When fraud occurs (or is likely to occur where there is a retailer breach) we eat the cost of reissuing new cards
- Most breaches are due to intentional breaches by criminals targeting payment system and lead to:
 - Identity Theft
 - Counterfeit Cards
 - Phishing Scams

Cyber Security/Data Breaches

State Policy Options

- Weakness in Payment System is Often at Retailers Point of Sale
 - Not Using Chip Card Reader
 - Employees Inadvertently Mishandles Customer Data
- **POLICY OPTION:**
 - Enact a data breach notification standard with a specific timeframe
 - Clarify Who is Responsible for Keeping Customers Whole



Michigan Bankers Association

Cannabis Banking

There are a number of Michigan banks that are evaluating the risk and resources needed to effectively comply with regulations to bank cannabis.

- **Cole Memo**
 - Guided financial institutions until 2018
 - Provided safe harbor in states where cannabis has been legalized
 - Rescinded by former US Attorney General Session
- **LARA Regulations**
 - Issued in December 2017
 - Guides financial institutions on options for banking cannabis.
- **POLICY OPTION:**
 - Resolution between state laws and federal law is an issue for Congress.
 - The states cannot fix this

Financial Literacy

A Strong Defense
Against Fraud is
Building Up
Consumers
Knowledge of
Financial
Issues/Operations.
More and More,
the Burden of
Making Sound
Financial Decisions
Come to rest on
the Shoulders of

- Retirement Plans Shifting to 401(k)
- Hundreds of Different Financial Options, Products, Mortgages, Investment Options
- More Choices of Financial Institutions to Choose From
- High School Financial Literacy Programs
- **POLICY OPTION:**
 - Enact Policies that Support CRA Educational Efforts



Questions



Banking In Michigan

Tim Jewell
MBA Chairman

David Worthams
Policy Director

Alex Morris
Advocacy Manager

mba

Michigan Bankers Association

