



Banking In Michigan

Grant Smith
Chairman

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mba

Michigan Bankers Association

The Michigan Bankers Association

- Chr. Grant Smith, Michigan Market President, Waterford Bank
- Representing the Banking Industry.
- Established in 1887
- Formed to Protect the Interests of Michigan Banks in Washington and Lansing
- Represent 105 banks spanning both peninsulas in Michigan
 - From the smallest banks to the largest national banks
 - More than $\frac{3}{4}$ of our membership have under \$1B in assets
 - Well over 60% of our membership have under \$500M in assets

**Advocating for and
supporting banking.**



MBA Advocacy Team



Rann Paynter
President &
CEO



Patricia Herndon
Executive Vice
President,
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Relations



Alex Morris
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Debbie Mitin
Assistant Vice
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Trust



Mary Rettenmaier
Advocacy
Assistant



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Banks are periodically examined by state and federal regulators in a number of areas and Report to other agencies as well.

- **CFPB**
- **FDIC**
- **Federal Reserve**
- **OCC**
- **DIFS**
- **Treasury Department**
- **Financial Crimes Enforcement Network (FinCEN)**

Bank Examinations & Reporting

- Safety and Soundness
- Consumer Compliance
- Bank Secrecy Act
- Community Reinvestment Act
- Bank Holding Company Organization
- Anything Else that CFPB Throws at Financial Institutions
- 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



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Banks Mission Is Their Customers!

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 are taken in a community
- Equates to credit in the community
- Banks exist to strengthen their community by serving the credit and capital needs of their customers within said community.
- We are only as strong as the community in which we reside!

Trends in Michigan Banking



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Number of Institutions - Michigan

- In 2000 Michigan had almost 200 banking institutions, just over 100 today.
- However, the number of bank employees has stayed relatively stable.
- Mergers & Acquisitions continue to drive trends in the banking industry in Michigan.
- Consolidation of smaller institutions being driven by the skyrocketing cost of the regulatory environment.

Banking During A Pandemic



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Essential Workers Deliver Concierge Banking

- Bankers demonstrated why they are essential!
- Financial Services reimagined
- Banks found creative ways to meet needs and keep customers safe!
- By Appointment banking
- Across the state banks met the challenge, kept their customers and employees safe, and performed the essential front-line work of the industry.
- Bankers were on the frontlines
- Forgiveness of overdrawn accounts for purposes of EIP.
- Banks also did not wait for their customers to reach out.
- Bankers working around the clock to pro-actively reach out to borrowers to inform creation of tailored relief to the needs of their community and service area.

Forbearance, Re-fi boom, and other consumer assistance

- Banks proactively reached out to their customers
- Payment Deferrals/Holidays
- Re-fi boom to help customers access capital in a low interest environment.
- Fee waivers
- Forgiveness of overdrawn accounts for purposes of EIP.
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- Bankers working around the clock to pro-actively reach out to borrowers to inform creation of tailored relief to the needs of their community and service area.



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CARES Act & Economic Relief Act of 2020

Paycheck Protection Program

- 3 Rounds of funding
- \$649B Dollars between April 3 & April 27
- Another \$284B on Dec. 27
- Economic Impact Payments

Banks Stepped Up

- Every member bank in the state provided COVID-19 Relief programs
- Lenders worked around the clock with limited and often changing information
- Most Banks fulfilled 50%, 100%, or even 200% of their typical annual lending capacity in 14 days.

Business Access to Capital

- Top priority for bankers across the state
- Banks were and are committed to be a part of the solution.
- Ensured their communities had access to the working capital necessary to survive.
- Supporting small business and the Michigan economy in crisis.
- Worked with the state and law enforcement diligently to curtail UIA fraud.

Paycheck Protection Program

- Banks did 50%, 100%, even 200% of annual loan capacity.
- As a state, Michigan banks did over \$128,000 loans for just under \$17B dollars.
- To date, Michigan banks have distributed another \$3.7B in Second Draw PPP loans.
- Lenders worked around the clock to help their customers
- Businesses access to capital was the top priority
- Bankers adapted to crisis lending because their customers needed them!

Economic Impact Payments

- Many banks forgave overdrawn accounts when EIP payments arrived knowing their customers needed access to this money. This was not a mandate.
- In fact, industry worked with Congress, Treasury, and SBA to encourage exemption of EIP's from garnishment.
- Pro-active outreach to less sophisticated customers to assist in setting up an electronic receipt of these funds.
- Banks were part of the solution by helping customers access life saving funds.

Policy Considerations



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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 Consumers.

- 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 Polices that Support CRA Educational Efforts
 - Include Financial Literacy in Middle & High School Curriculums while avoiding unfunded mandates.



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Cyber Security/Data Breaches

HB 4168 & 4169 was a great solution to this problem facing banks, credit unions, retailers, and other industries. Huge bi-partisan support in both chambers.

- Weakness in Payment System is Often at Retailers Point of Sale
 - Not Using Chip Card Reader
 - Employees Inadvertently Mishandles Customer Data
- HB 4168 passed the House 99-7, Senate 38-0
- Pocket vetoed by Governor
- **POLICY OPTION:**
 - Enact a data breach notification standard with a specific timeframe
 - Clarify Who is Responsible for Keeping Customers Whole



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Banks have been a leader in finding innovative ways to make the financial services industry accessible to all.

Diversity, Equity, & Inclusion in Financial Services

- BankOn national account standards
- Dealing with the underbanked to provide access to bank accounts that work for them.
- Increasing diversity in leadership roles
- Innovation in providing new and unique access points to much needed capital for minority and women owned businesses

Banks have the technology and capability to adapt to a remote, digital world. Other stakeholders involved in the mortgage recording process do not.

Modernization of Property Transactions & Recordings

- If COVID taught us anything, it is that much more than we ever thought possible can be done digitally!
- Allow for permanent e-signature and e-notary activities
- Provide support for 83 counties and other municipalities to implement the technology to record such transactions digitally.



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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:**
 - Review Credit Union Tax Exemption
 - Make No Change to Credit Union Act



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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





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