ST. LOUIS
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TABLE OF EXPERTS

INSIDE BANKING AND FINANCE

PRESENTED BY

CliftonLarsonAllen

Fortune

Armstrong Teasdale

MEET THE EXPERTS

SCOTT LIVELY

Scott Lively has over 26 years of experience providing audit, tax and consulting services. Lively routinely provides attest services and consulting to community bankers in the areas of external and internal audits, directors' examinations, trust department examinations, loan reviews, FDICIA compliance, and merger and acquisition consulting. Lively is a principal in CliftonLarsonAllen's financial institution practice. He works with clients predominately throughout Missouri, Illinois, Indiana, Kentucky, Arkansas and Tennessee ranging in size from $20 million to several billion in assets. Lively and his team are deep, passionate financial institution specialists covering a wide variety of professional services for clients. He is also a member of the firm's National Financial Institutions committee, regional principal-in-charge of the midwest financial institutions region practice and principal-in-charge of the St. Louis financial institutions practice.

DANIEL JONES

Daniel Jones founded Fortune Financial Corp. in 2004 and obtained the charter for Fortune Bank in December of 2005. He has served as the chairman of the bank and chairman and CEO of the company since inception. Prior to forming the company, Jones practiced as a certified public accountant for 20 years. His career began with KPMG in St. Louis working in the community bank practice of the audit group. Jones served over 10 years as a legal director for Eagle Bank & Trust Co. and Midwest BankCentre. Over the past 24 years, he has also been active in the commercial real estate market through his ownership of DLJ Properties Inc., which owns and leases office/retail properties.

JOE PORTER

Joe Porter is a partner at Armstrong Teasdale with more than 30 years of experience providing legal counsel to corporations and financial institutions on transactional matters, including mergers and acquisitions, equity offerings, financing arrangements and strategic planning. Porter's practice focuses on the special regulatory issues involved in the operation of state and national banks. Porter provides assistance to clients with acquisitions, divestitures, corporate restructurings, compliance issues, the introduction of new product lines, and expansion to other locations through branching and acquisition. He is a member of both the firm's Corporate Services practice group and the Financial and Real Estate Services practice group.

TABLE OF EXPERTS:

INSIDE BANKING AND FINANCE

There have been many M&A deals involving community banks in the St. Louis area. What's the current state of M&A activity?

Joe Porter: There have been several M&A transactions in the past couple of years, but there's been a general consolidation of the industry throughout the United States. We'll see that trend continue somewhat in the St. Louis area, but we'll see it in the surrounding rural areas a little bit more. Southern Illinois and the eastern part of Missouri will be involved in a lot more consolidation as the smaller banks try to gain enough size to meet the additional cost of compliance and, of course, the additional cost of technology.

Daniel Jones: As an insider, I think you're going to continue to see significant consolidation. So we're a small bank — a rounding error for many of the big banks in the area — but our compliance expectations are nearly the same as the big banks. So M&A has to continue in my opinion.

Scott Lively: If you look back at the November 2016 presidential election, so much has changed since then. For example, the publicly traded bank market values have increased substantially, so you're seeing increased multiples being paid in mergers of now privately held community banks as a result. The environment is very ripe for that type of environment and will continue.

So why do we still have so many banks in St. Louis?

Joe Porter: I think that's historical in nature. Missouri and Illinois had branching restrictions a generation or two ago. Each town would have to have an additional chartered bank in order to have banking services. They could not branch uncontrolled throughout the state. And, in the early 2000s, there were a number of de novo banks started in the St. Louis market, including Dan's. And that added to the number of banks. More recently, rural banks have decided that if they want to go public, they need to have a metropolitan presence. So you see banks like Heartland Bank, Midland States Bank and First Mid Illinois coming into the St. Louis market.

Daniel Jones: I also think there were a fair number of positive experiences in the past with bank investments. Banks being started, investors putting their money in, banks then selling. So some of it, candidly, was just looking for that to repeat itself. But it didn't quite turn out that way because of the recession in 2009. But, as I tell a lot of our staff, the final chapter hasn't been written for many of those community banks, including Fortune.

Scott Lively: The number of de novo banks being established in early 2000s along with banks that already existed in the St. Louis area was substantial. It just takes time for that consolidation to happen and be reflected in the region. As management teams continue to look for the synergy between a buyer and a seller bank, that takes time. You're trying to find the right fit for your bank.

Joe Porter: The suburban ring of Chicago has a tremendous number of banks, but they also have a higher number of troubled banks. We've seen a lot of the troubled banks go away in Missouri and in the St. Louis market, but some of those struggles still exist in the Chicago suburban market.

What's driving the M&A in banking?

Scott Lively: No. 1, when you look at the regulatory burden that has happened, it's clear you've got to be a certain size to offset that cost. No. 2, if you look back at some of the regulation changes related to restrictions on fee income that banks can charge, and then No. 3, you compress the bank's net interest margins with a continued low interest rate environment, the revenue just hasn't been there for a lot of banks. So, you've got low revenue growth, you've got the regulatory burdens hitting you on the cost side and you've got tired management teams. The banks are looking at the risk and reward models of continuing down this path. And they're looking for other banks to merge with to protect their shareholders. So the shareholders are looking to protect their equity investment.

Daniel Jones: I would add that there is also a shortage of talent. Bankers in general were categorized, I think, by the previous administration as all bad. And there was no separation of the big banks versus the small banks. Frankly, banking stopped being fun in about 2009. It became a grind to Scott's point. There are a lot of people that have been in the business for a long time that have just said, "There is no longer the reward for the risk plus the effort that you have to put into it." So these young kids coming out of school are going, "Wait a minute, that doesn't look like fun, I'm not going to do that." So the talent pool in St. Louis is really, really tight. You've got a bunch of old guys, and you've got a few

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mid-level management people. But you don't have a lot of young people just breaking down the doors to get into the industry. That's going to be a problem in the next five to 10 years. Without a change someday, there will be no one to eventually take my job. And I don't know how to remedy that.

Joe Porter: Banker fatigue is something that we talk about a lot. People are just tired of fighting the fight, especially during the downturn from 2008 to 2012, and the lack of talent has certainly been noted. Part of the problem, though, especially in the smaller banks, has been failure to plan, to even discuss a succession plan, and search for the talent necessary for the top positions, and failure to plan for retirement. I have a number of clients who are primarily at out-of-state banks where they have reached retirement age and find big challenges. There is no one to take their place, and they really are tired and want to retire. They don't have enough money other than their bank stock. So their only alternative becomes selling the bank in order to get enough funds to retire comfortably. So, for example, if a president of a bank wants to retire, and is questioning the successor's abilities, the president has to rely on the successor to pay out his or her deferred comp plan or to buy out their stock. The continuing success of the bank is the key for their retirement, and that scares people. And usually the sale follows.

What other challenges do community banks face?

Daniel Jones: I'll start with some specifics. I am the CEO of a bank. My bank president runs the day-to-day operations of the bank, but he'll come to me with various questions. And the most common question in the past six months has been, "We need to hire this person, what do you think?" One hundred percent of those questions have been for non-revenue-producing people, back office support. So I'm an old fashion guy. I think there's two kinds of people, those that produce revenue and those that don't. So, I don't think my bank president is wrong in his analysis because it takes so many more manhours today under this one-size-fits-all system. We're a $190 million bank. The same basic regulations that a $5 billion bank has to operate under for compliance specifically, we have to follow as well. And the rules are so detailed and so specific, thousands of pages. And we have to know it all. And not to pick on the regulators, but it is a little humorous at times. They'll have different regulators with experience for different sections of the compliance, but we have to know all of it. So if I ask a question about this particular regulation. The regulators will say, "We don't know. That's so-and-so's area." But if any of the regulators ask me that question, I'm supposed to know the answer. If nothing else changes, I think that will be the primary driver for consolidation as a certain critical mass will be required to cover the fixed costs of compliance requirements.

How has that changed your staffing and costs?

Daniel Jones: We spend four and a half to five times on compliance today versus what we did 10 years ago. So I hate to say this, but it produces no revenue. I can give you an example. We were having a compliance examination, and we had a finding. I was in the room, and the examiner was going through the findings and said, "Well, one finding is you didn't have the right date on this HMDA individual entry." So, I asked the question, "What do you mean?" "Your loan officer put the date as May 17, at 8 a.m., but we found a fax in the file that it arrived at 5:30 p.m. the night before. That was the date that should have been on it as opposed to the next day. That's a violation." And I say, "Are you serious? You're going to write us up for that?" And the answer was yes. That's the kind of thing that makes no sense to me.

Joe Porter: Sometimes there is a lack of practical sense in the compliance area. Usually a compliance exam is three weeks. Another three or four weeks, and they have a report. We just passed the fourth anniversary of a compliance exam with one of my clients, and still have not completed our discussions. It got kicked to Washington, D.C., which is sometimes a black hole. One of the biggest challenges that I see day to day is the data security and cyber breach risk. In fact, our law firm has set up a legal response plan that we have for clients of all industries. We encourage our clients to have that plan in place in case there is a breach rather than coming to us after the breach occurs and then trying to respond. It's always better to be proactive rather than reactive, especially with legal costs. I've heard various numbers, but a typical bank will have someone attempt to breach their system maybe 200 to 300 times a week or sometimes a day. Just depends on the bank.

How has technology changed banking, and what are the costs involved in keeping up with that technology?

Joe Porter: I advise my clients that they don't have to be the league leader in getting into new technologies. So if you wait a little bit and see how others are reacting and educate yourself about the technology advances, then the costs won't be quite as steep. As the technology advances, the costs come down. But it's important to have continuous education about technology advances.

Daniel Jones: Another way to think of it, is we have to get it right 100 percent of the time. The criminal element has to get it right 1 percent, and they win. So in the height of the recession, we talked about asset quality being an area of the bank that kept us awake at night. Asset quality will continue to be a critical area, but you should have underlying collateral that you can liquidate if the loan went bad. But if someone 10,000 miles from here in a coffee cafe is successful in penetrating and swiping my money into an account overseas, there's nothing there except maybe a paper trail, but most of the time they're so good with the way it bounces around, we can't follow it. So it is that ratio. We have to have it right 100 percent of the time. I would say our costs have increased seven to 10 times today versus what they were 10 years ago in order to make sure that we get it right 100 percent of the time.

Scott Lively: If I could expand on the comments on technology with the mobile banking. There's very few banks that don't have internet and mobile banking platforms today because the costs got cheaper. And, every customer is expecting it. They want to take a picture of a check; they don't want to walk in the lobby. So, if I look back at the challenges, we are back to Dan's comment earlier, which was about the talent. You have to have the correct talent, No. 1, to implement those technologies. And then we haven't even talked about FinTech firms yet. These inventors are developing the mobile apps and other products that community banks need to pay attention to because their customers are looking for mobile apps to do banking. So banks need to think of themselves as adopters of the right mobile technology that fits their customer's needs.

Joe Porter: So, we're at the 10th anniversary of having the iPhone, and the speed at which apps are being added is dramatic. And everyone is thinking, especially young people in the IT area, about new and different ways in which to invent themselves on the phone. So each bank, and actually each business, should be in a continuous education mode to see how they may have

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to reinvent themselves every four or five years in order to meet the challenges of their customers.

Scott Lively: I think about the speed of the new technology, too, how you have to be agile and responsive for those technology changes.

Joe Porter: The acceleration of the change has been phenomenal. A small bank or a large bank is able to take deposits and handle your bill pay through the phone. But if a customer wants a loan for their business, they're going to have to come in and see somebody face-to-face. I don't think that will change.

How are the successful banks performing above their peers?

Scott Lively: In particular on the commercial lending side. I think of a concept of, simply put, Banking 101. You have to know the customer; that relationship is so important. I look at some of our bank clients that we audit, they have over 4 percent in net interest margin. And they didn't happen to get that by accident. Now, St. Louis is a little tougher because you're competing so heavily with so many banks. But some of the rural banks, they are having over a 4 percent net interest margin because they know the customer, they value that relationship and the customer values the relationship with the community bank. Thus, the customer is willing to pay a little higher rate because of the great service and attention the bank gives them. When you're buying an auto, maybe it's a little different. Maybe you could do that on a mobile app. But when you're dealing with commercial loans, it's much more difficult.

Daniel Jones: I believe the fee income is how a lot of the banks have outperformed. In St. Louis, the market is so competitive for good commercial deals that borrowers get multiple offers. So as a small bank, we have a hard time continually reducing our margin. So what we believe the future for a community bank that desires to stay in the industry, stay as a community bank, is fee income. So to augment that shrinking interest margin, with outside fee income. I looked at our income statement today. A significant portion of our revenue is generated by the sale of investment services, sale of insurance services, selling the mortgages, those three primary areas.

Joe Porter: It's interesting to note, though, that during the recession years, the smaller banks that stuck with the standard traditional banking services, actually outperformed other banks that were trying to reach out into different areas. The best performing banks today are the ones that found a niche that will enhance their fee income and their overall reputation. There are a couple of banks I represent that are in the top five or 10 earning banks in Missouri for their size, and those banks have developed a fee income niche, which has added to their bottom line tremendously. It always gets the attention of the regulators that want to know, why are they able to do this, is there something wrong? But, it's just that they've taken advantage of finding a niche that no one else has covered.

What are some other ways banks are differentiating themselves from their competitors?

Scott Lively: Lobbies are changing. Tellers are being transformed and retrained. I always use the example of an AT&T store. I'll walk in to get my mobile phone, and they greet me at the door, and say, "How can I help you, sir? I'll get you to the right person. What do you want to buy today?" I'm seeing more of that as I go out and visit banks. It's a big change in the banks, because they're used to the old style. Now a customer representative meets you at the door, and they walk you in and assist you with your banking needs. Banks now have an opportunity to concentrate their SBA lenders or their consumer lenders in one location. They don't need to be in that branch. The tellers can now set the customer in front of a screen and have the lending expert talk to them over video conferencing. The customer is able to talk to an expert on that type of loan and the bank doesn't have to have an expert for each loan type at every branch.

Joe Porter: I have a couple of bank clients that have done away with tellers altogether. They have the machines there, and then they have a receptionist desk with personal bankers available at desks. So if someone comes in and says, "I really need to do X," then the personal banker approaches. They've been retrained and re-educated. Adding coffee shops and custard stands and things like that to a bank is a novel idea, and it may increase lobby traffic, but I don't see it substantially increasing the amount of deposits or the amount of loans made.

What's next on the technology front?

Scott Lively: We already talked about FinTech. Who knows where that's going to go and what exciting apps they're going to come out with. Technology is also about data and data extraction right now. So, we're talking to our banks about how you can read that data better, and how you can use that data going forward, how you can extract that data in your systems. And maybe your core system doesn't have the right data in it in the first place to do the things you want. In today's environment when someone ask you a question, it is nice to use technology and data to answer the question in a quick and accurate manner with emphasis on quick. They want to manage based off those data points. The way you extract data off the system is so much faster today. Our firm uses various software to extract data and get it in a format that is useable and meaningful. So you're able to find data to not only help the bank make better decisions, but to also protect the banks.

Joe Porter: You'll find additional software enhancements, for example, where an operations person will be able to look at the data and understand that maybe customers have changed their withdrawal habits, maybe find the ATM they're using is always at the casino — that type of thing to understand whether there's a problem or not. Some of that is dangerous as well, especially from a legal

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point of view, because you are increasingly invading private areas of a person's life. While you're trying to understand that person and their needs and wants that can be satisfied through the bank, there's a line that you can't cross where you are really invading their private space and information.

Scott Lively: I think of the movie "Moneyball," with all the data analytics that changed baseball. I think banks are going to go through the same thing: What's the data telling you, or is it even the right picture? Does it make sense of what's going on in the data, or is there something else that we need to see? Understanding that data is very important. The data can tell you about cost cutting and whether you need that branch, or whether to strategically change your overall business model, if you interpret it correctly.

Are there other trends impacting how financial institutions interact with customers?

Daniel Jones: I can talk about one: lending. So in early 1993, I was a kid who had a big idea, and I needed $40,000. And I had no way to get it except from a small community bank. So I walked into Boatmen's Bank. I had a good story to tell them, and the market president made a $40,000 loan to me. I wouldn't make that same loan today to that kid that was made to me. The way the regulatory world has responded to the recession is they have taken a great deal of the bankers' willingness to take risks out of the equation. If we don't have, almost near certainty, total confidence that we will be repaid, then we better not make the loan because you'll never get praised for doing it right, but you'll certainly be criticized for doing it wrong. So after you get smacked around enough, what you end up doing is you become passive about it.

Joe Porter: In the past 10 to 12 years, you've seen a trend of tightening credit. Part of it is the difference in loan officers today versus 15 years ago. A loan officer used to not only have to do the sale job to the customer to use his or her bank, but they would also be required to underwrite it so they would be able to justify to the board of directors or the loan committee that the loan was good. Because of the shortage of true bankers in the loan category, bankers have hired more salespeople, if you will, who don't do that underwriting. The bank is usually required to have a senior lender become their credit officer to review those proposed loans and make sure that they have a solid basis. A salesperson would not only sell it to the customer, but they also sell it to the loan committee, so they're selling it twice. There's a lot problems in that method.

Scott Lively: We are seeing an increase in branch closures and sales as well. Because you may have a bank over here that has an outlier branch in a rural area that they're not servicing well, and it's not producing like they thought. But there's a rural bank in that area that would buy that branch because it's closer to them. We see a lot of people analyzing whether they shut that branch down or sell it to another bank. I think that helps the customers because if another bank can serve that geographic area better, they should. Quite honestly, a bank can build better franchise value if its branches are closer together and it can network better together. That connectivity drives a lot of the productivity of the bank, how it interacts and how it serves its communities.

Joe Porter: We've seen a lot of bigger banks that are actually abandoning their rural branches. They just aren't profitable enough.

What accounting and legal issues are paramount to the industry?

Scott Lively: Bankers are wanting to save on costs, right? What's one of their biggest cost? It's the core processing service contract. It's one of their biggest cost outside of the salaries and benefits they're paying for. For a lot of our clients, we're going in and looking at those contracts. We're finding out the language is very detailed, and it's charging the banks for areas they may not be wanting to have in their core processing. So we're getting a hold of our core contracts within a year or two before they come due. A lot these contracts are five to 10 years long. Thus, you are locking into a long term contract that may not be favorable for your bank and charge you for items that you don't use. You want to have various bidders at the table for these core processing contracts. We have a team in place that knows these contracts and assists the banks in understanding and negotiating the contracts. The cost savings can be substantial for a community bank's bottom line. You have to be prepared before you get to the end of your current contract period, which normally the bank starts negotiating the new contract two years prior to renewing the contract. And you want to also bid out that process. Fiserv, FIS and Jack Henry are some of the larger providers. You need to have a little bit of a bidding going on so you can get what you want. A lot of community banks are more adaptable because of technology to switch core providers. It's not as big of a deal to switch as it was it was before. I think of impact from a contract standpoint is this core processing contract. It's a very big deal. We're looking always for value to add stuff for our banks.

Joe Porter: In the legal area, it's pretty clear that the regulatory issues are taking a prominent role in what we do. We interact with the regulators both in the regional offices and in Washington, D.C., much more than we ever did before, whether it is on compliance with regulations, the result of exams, challenges of exam findings, trying to modify ratings and issues of that nature. Also, when we have a merger and acquisition transaction, the applications that are filed with the regulatory authorities have become much more involved, and it has increased the timeframe to get even a simple transaction approved; and it's the regulatory people who are being careful so that they don't make any errors. And, of course, background checks have also extended that since 9/11. They don't want extraneous people coming into the banking world. We have a pretty good relationship with the regulators. There are only a few firms that are involved in this area on a regular basis. And it is really important to be able to understand where the regulators are

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coming from, and we work well with them. Now when a regulatory issue gets kicked to Washington, it extends the timeframe dramatically. The people in the prior administration were very consumer-oriented but really did not have a business approach to some of the transactions and some of the issues that arose. So, we'll see a little bit of change in that coming up.

Daniel Jones: From my side, the most tricky accounting item is measuring the adequacy of what we set aside for bad loans because there's so much subjectivity in the methodology. So I know there's been a lot of talk about looking forward and measuring, on the day you make the loan, what that loss is going to be five years into the future. And, frankly, absent a crystal ball, I have no idea how we'll do that with any degree of accuracy. Now I'm hoping that there is a great deal of changes prior to that truly being enacted. Those outside forces, whether they be legal or whether they be accounting, they were always trying to monitor, how can we lessen the harmful impact potentially to the industry? So we do that through our associations, trying to be advocates for the industry.

Scott Lively: The thing that's changing is the accounting method for calculating the allowance for loan losses under a new model called Current Expected Credit Loss (CECL). What they're asking Dan and all the bankers to do is project and forecast what your cash flow out of these loans is going to be. So starting this year, all the banks are starting to go through that new pronouncement, and it's an accounting pronouncement. It's not a regulation of compliance. And it's effective by 2020 and 2021 for most of our banks. So they've got some time. A lot of this is a data extraction exercise again. You have to go back to your data points. One, does your core system have that data point? And does it have enough to help you project forward and forecast into the future what that expected cash flow is going to be? So, for example, one of the methods is called static pool. So if Dan is going back in time, say in five years, he's going to start today and look back five years and start with the point of 2012. So with that being a static pool at 12/31/2012, what did that pool do each of the years? How did it react? How did the roll rates happen on it? So you follow that static pool all the way through the years. In the meantime, you've got a 2013 pool. You've got a 2014 pool. You're watching all those pools to see what's going on in each one to forecast, did roll rates speed up? Meaning did loans move from here to foreclosure? How fast did they get there? Did it go from 30 days to 60 days to 90 days past due? Quicker than the most current static pool? That's the stuff these banks are going to have to do. And if you ask a community bank today, they scratch their head and look at you like you've got two heads because it's just very difficult to come up with, because some of the data points aren't all there. The banks are just now starting to understand it, and there is plenty of data now to start forecasting that. Each bank has to take that ownership on and decide their data points. There's multiple methods, and you can use multiple methods for different types of loans. Think about the complexity. They didn't give you one road map. They gave you a guide and said you pick your own road map of what you want to use. The community banks are really struggling on how to even start.

Daniel Jones: When you give people multiple choices, it allows for manipulation, in my opinion, because there's subjectivity that's built into whatever choice they might make. This is another example, in my opinion, where the more complicated you make the rules with the end goal of trying to get better information, you actually go backwards. I think it's an overreach. I think it is much too complicated, and I at least believe that there's going to be some significant modifications because it will lead to manipulation to bottom lines, again, in my opinion.

Joe Porter: It's not just the financial accountant or the inside chief financial officer that has to understand that. Allowance for loan loss is really a duty of the directors. So each quarter as they sign off on the call report, they were required to do an analysis of the allowance for loan loss. Now generally it would be presented by management, but the board members need to be educated on the methodology so they're making an educated decision. If they don't, and things go bad, they're held responsible. So if it's difficult to get a talent pool of young people to come work at a bank, it's much more difficult now to get directors from the community to serve on the bank board because of higher expectations, higher work levels and higher risk.

How will changes at the state and national governments impact community banking?

Joe Porter: After the election, bankers were ecstatic only because they thought a pro-business model would come into the government and change things immediately. So there was talk of Dodd Frank being eliminated immediately. There was a pause in the M&A activity from the election to about mid-February because people waited to see whether the tax laws would change. I don't think Dodd Frank will be eliminated, but it will be modified somewhat. This will take time. And this is something that people are coming to grips with now. I've advised clients not to expect an overnight change. It will come. Further, it's going to take even a greater amount of time for those policies to trickle into the bureaucracy. So the regulators will have to back off in policy, not just the regulations, but the policy of how they apply them will change I think slowly over time; but it's going to take a few years. It's not going to be overnight.

Daniel Jones: I can only hope that it changes because the prior administration, while they did many things well, this whole idea that all banks wake up in the morning with the intention to harm the consumer is false. There certainly are bad actors out there. No question. But it goes to this "one-size-fits-all" mindset. It doesn't work. I think too, the Consumer Financial Protection Board that was put in place, where they had very little oversight, as a matter of fact, I want to say no oversight, they had an unlimited budget. They could spend any amount they wanted to. All with the idea that Dan Jones wakes up in the morning with the thought of, "How can I take advantage of that 75-year-old lady standing across from my teller line?" And it's false. I want her taken care of because if she isn't taken care of, she can go to the bank next door, because God knows there's one on every corner. So I have to think that there is more of a common sense approach to this consumer protection. Now some big banks haven't helped that case recently with some poor choices that were made. It would be the equivalent to say that the motorcycle is exactly like the car. They're both methods of transportation. They get you from point A to point B, but they're different. And banks have to be looked at differently. So what I hope most is there's a common-sense approach to the consumer protections that were put in place from the prior administration down to a more common-sense approach. Another specific example, we can't decide what we charge for a mortgage loan. If we do an in-house portfolio loan, I can't say, "Well, you know that's a higher risk, we can't charge 7 percent on that. If we follow absolutely the black and white rules, we're told what we can charge. It's no longer a capitalist model of put your capital at risk and try to return or get some reward for that. It is here's what you can charge. And by the way, we're going to put a bunch of other regulations on top of you. So regulatory relief or bureaucratic relief is my big hope with the new administration if the tweaks would just stop.

Joe Porter: My hope and my guess is that there will be a lessening of regulation for banks under a certain size, under $10 billion, for example. That would really help the industry, and it would help consumers get better service.

Daniel Jones: It would be a catalyst for the economy. Right now, I have to focus on putting the right date on the piece of paper. Not, how well am I going to get to know Scott. Do I buy into his loan request? I don't have time to do that because I'm so focused on putting the right date on a piece of paper so that the quantification of that somewhere in Washington is done so I don't get written-up for some compliance violation. And so it will be a catalyst if we can just take the handcuffs off of us and let us go back to the core of what community banks should be. They should finance Dan Jones 24 years ago with a good idea. No real reason to lend him the money, except, you know what, I think he's telling me the truth, I think he's got the character that's going to pay me back. That's how I got started.

Joe Porter: In small towns, you hear stories all the time of someone who has been at the bank for a long time. They have a very successful business, and they say, "You know, I came into this bank a long time ago. I'd just moved into town. I graduated from dental school, and I was able to get a business loan to start my practice. They trusted me that I would pay them back."

Daniel Jones: I still remember the banker's name. I can still vividly see her office. I was "poor" and she had no real good reason to take a chance on me. But, because she did, it was a life-changing moment for me and was the catalyst for my career going forward. As a result of her believing in me, I now, 24 years later, have 75 employees in my various companies. And that's the difference in policies coming from Washington today. They are more of a hindrance in how they impact Main Street America. If Congress would take the handcuffs off of us, we could add a boost to, what has been to this point, a lackluster recovery.

Scott Lively: Seems like the compliance side has slowed down a little bit. The talk about it with the new political environment, with the new administration saying for every one rule you enact, you got to cut two. It's a start because you do get a sense that the political environment has at least stopped the pendulum from moving upward. But it's a slow change. They're still looking at banks for areas like Bank Secrecy Act and all the loan and deposit compliance areas that are in place today. The regulation is already out there, but there's a lot of regulation that never got written from Dodd Frank. So at least it stopped any new influx of compliance, but they're still dealing with a lot of compliance today.