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**Saving rural communities by saving their banks**

There is an ongoing debate in this country regarding the extent to which national level policy makers should consider the special circumstances and conditions of rural America while making important decisions about the country's economic future. I would advance that in light of the many banking regulations established as a result of the bailouts paid to what have been called "too-big-to-fail" institutions during the 2008 economic crisis, there needs to be an increase in resources devoted towards adapting current regulations to differentiate the needs of community banks versus these too-big-to-fail institutions. According to Brad Miller (2013), Senior Fellow at the Center for American Progress, one out of five rural counties relies on community banking as its only physical banking office. While the low population of rural areas may lead some to argue that policy makers should be focusing their time and effort on areas that affect the greatest number of people, the economic troubles facing rural America make it difficult for even the most averse to turn a blind eye. The Adirondacks are a good example of this issue, as many areas within the blue line rely on community banks for their savings and capital needs. While I recognize there are many banking regulation intricacies and complexities, my goal is to illuminate compliancy issues surrounding, in particular, the Dodd-Frank Act of 2010 as well as highlight some simple solutions to help community banks remain competitive with their larger counterparts.

Brad Miller [2013] argued in front of Congress that the Dodd-Frank Act was the most significant set of financial reforms since the New Deal. While some adaptations have created differences in regulation for community banks versus big banks, and other adaptations have correctly identified no need for a difference in other regulations between the two, there remains the big picture issue of costs associated with any and all forms of compliance to regulations. While it is necessary for the continued solvency and general functioning of community banks to incur some compliancy costs for regulations; it remains that, as Kansas Senator Jerry

Moran says, the "one size fits all regulatory structure" inherent in much of the Dodd-Frank Act has community banks facing high compliancy costs for regulations and inspections that are not necessary given the scale on which they operate (2013). Compliancy costs are not variable costs for the most part, they are fixed costs, and this puts the smaller community banks at a disadvantage (Miller, 2013). In fact, the Federal Reserve Bank of Minneapolis recently published a policy paper that estimated that the hiring of just two additional employees by banks with $50 million in assets or less (so as to deal with necessary regulatory compliance) would make one third of all these banks unprofitable (Feldman, Heinecke, & Schmidt, 2013). Furthermore, less than a year ago a community bank in Missouri was forced to shut down operations because the bank estimated that the Dodd-Frank Act would add $1 million to the bank's expenses every year, and that these fixed costs would be unbearable for the bank and it would subsequently become unprofitable (Marsh & Norman, 2013). While it remains difficult to find a solution in response to the Dodd-Frank Act that would help community banks remain competitive with larger banking institutions, it is clear that the details such as the fixed costs associated with the compliance of regulations put an unfair burden on smaller banks.

There are, however, some possibly simple solutions that could help community banks remain competitive with larger banking institutions. The first is an idea put forth by Brad Miller during his testimony. If congress places a cap on ATM charges, keeping them barely above the transaction costs, they would make it less costly to withdraw money from a bank other than your own, and this would benefit community banks and their customers by decreasing the importance of having physical access to your bank, and therefore making the existence of multiple branches of larger banks less significant (Miller, 2013). A second solution (with a similar motivation) would be to help community banks increase mobile banking capabilities such as mobile check deposits and increase transactions available through online banking. This could be done through subsidies or tax breaks for community banks. While these solutions are relatively simple, and are merely band-aids on a greater wound, they will certainly help make community banks more

competitive in the big world of banking, and they can serve as a beginning to continued policy and regulation shifts that help even the playing field.