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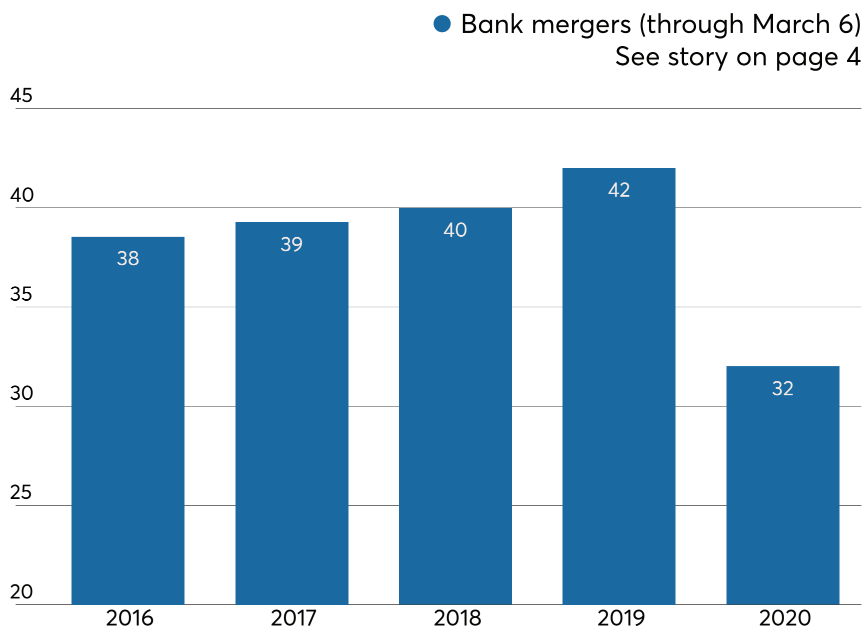
Sluggish start



Sources: KBW and S&P Global Market Intelligence

dailybriefing

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BANKSHOT

Demand for small-dollar loans is likely to spike. Will banks be ready?

By Kevin Wack
March 13, 2020

The economic costs of the coronavirus pandemic to U.S. households are mounting rapidly. So rapidly, in fact, that these effects generally don't show up yet in government statistics.

To cite just a few anecdotes: Airlines are canceling thousands of flights in what many employees fear is a precursor to layoffs. Amtrak has asked non-essential workers to take unpaid leave. A well-known Seattle restaurant owner plans to temporarily close 12 locations on Sunday, leaving about 800 people out of work.

In addition to the lost jobs, many U.S. workers face the prospect of reduced hours. Others cannot work because they are either ill or under self-quarantine. More than 65% of part-time workers lack paid sick leave, though the Trump administration and Congress are reportedly close to a deal on a legislative package that would include paid emergency leave.

What's more, many millions of American families do not have much of a financial cushion. A widely cited Federal Reserve survey in 2017 found that four in 10 adults did not have enough cash to cover a $400 emergency expense.

Consequently, U.S. consumer demand for small-dollar credit is likely to soar in the coming weeks. Many Americans will probably borrow on their credit cards, but their ability to do so will be limited. Card issuers typically reduce credit lines at the first sign of an economic downturn.

Payday lenders will also likely see a spike in demand. But many prospective customers won't qualify because they are out of a job. Those who do get approved will pay triple-digit annual percentage rates.

The banking industry, which has been touting its capital levels as robust, now has a unique opportunity. U.S. banks have lost a lot of public goodwill as a result of the 2008 mortgage bust, the subsequent bailouts and a raft of scandals. They could regain some of that lost trust by offering affordable small-dollar consumer credit to Americans who need it. But to do so, most banks will probably need the government's help.

Most banks seem ill-prepared for this moment. Only a small fraction of banks currently offer reasonably priced small-dollar consumer loans. Banks typically blame government regulations for their failure to compete in this market, but the reasons for their disinterest don't matter much right now. What matters is the fact that banks are generally on the sidelines.

Launching a new banking product is usually a time-intensive process. It's hard to envision many institutions being able to move quickly enough to meet the expected surge in consumer demand.

Credit unions will likely be somewhat better positioned. In September, the National Credit Union Administration finalized a rule that gives credit unions a new option for providing short-term, small-dollar credit. Those loans can be up to $2,000 with terms of up to 12 months. At the end of 2018, more than 600 federal credit unions participated in a separate small-dollar credit program, which remains in operation.

The relatively small number of banks that are currently in the small-dollar credit business are also well positioned to respond quickly. U.S. Bank, which launched such a loan product in 2018, announced Friday that it is temporarily reducing borrowing costs by at least 50%.

As the outbreak's economic impact has spread, banking trade groups have been touting the industry's efforts to work with affected customers. Those steps — which include waiving fees, allowing early withdrawals from certificates of deposit and providing flexibility to borrowers who cannot make their scheduled payments — are useful but not a panacea for many cash-strapped consumers.

Bank industry groups have had less to say about small-dollar consumer loans. In response to an inquiry Friday, the Consumer Bankers Association said that the coronavirus outbreak is just the latest crisis to highlight the need for federal banking regulators to work together on issuing relevant small-dollar credit rules.

"Millions of Americans needed short-term financial assistance before coronavirus and will continue to need it after the immediate impact is over," a spokesman said in an email.

With the virus spreading quickly, some observers are looking to the Federal Reserve for faster, more decisive action.

Karen Petrou, managing partner of Federal Financial Analytics, wrote in a blog post Friday that the central bank has the legal authority to provide liquidity to banks for the purpose of offering short-term, low-

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cost funds to affected consumers and small businesses.

She called on the Fed to set up a borrowing facility that would require consumer loans to be on terms that mitigate banks' risks rather than reinforcing their profits. At the same time, she acknowledged the difficulties involved in establishing such an emergency program on the fly.

"None of these complexities is large enough to stop quick action," Petrou wrote, "if Fed leadership pushes over-punctilious lawyers out of the way and mandates the rapid action the emergency demands."

MORTGAGES

Calls mount for U.S. to halt foreclosures, evictions amid health crisis

By Hannah Lang
March 15, 2020

WASHINGTON—As the novel coronavirus hammers the global economy, lawmakers and housing advocates are calling for a national moratorium on evictions and foreclosures while cities on each coast have started taking their own actions.

Miami and San Jose, Calif., have temporarily stopped all evictions in light of the pandemic, and several other cities, including San Francisco and New York, are considering doing the same.

But increasingly, many activists have started to push the federal government to consider placing a hold on evictions and foreclosures nationwide, not only to protect borrowers in a possible time of need, but also to safeguard public health.

"It's never been more clear that housing is health care," said Diane Yentel, the president and CEO of the National Low Income Housing Coalition. "The ability for people to self-isolate, self-quarantine in their homes is essential to all of our health, and so I think there's a really important business reason and public health reason and certainly moral reason why big banks and regulators should take this step."

What is less certain is how a moratorium could be enacted. Some say President Trump has the authority to impose one, while others say the more likely agent would be the Federal Housing Finance Agency or the Department of Housing and Urban Development's Federal Housing Adminstration arm. Still others say it would take an act of Congress.

The calls for special action in the housing sector are among many economic relief ideas circulating in Washington in the face of COVID-19. Some are taking shape. Trump on Friday declared the virus outbreak a national emergency and announced a series of emergency steps, including the suspension of interest payments on federal student loans.

The FHFA said that given that the president has declared a national emergency, it is reviewing which disaster powers held by the government-sponsored enterprises Fannie Mae and Freddie Mac could be used to help homeowners in the current situation.

"In the interim, borrowers whose ability to pay their mortgage is impacted by the coronavirus should reach out to their servicers about forbearance options that are available currently," the FHFA said in a statement.

FHA did not respond to a request for comment on the record for this story.

Fannie, Freddie and the FHA reminded borrowers and servicers this week that loan forbearance is an option for those facing difficulty making their monthly payments because of the coronavirus, and federal banking regulators have also pledged to work with affected financial institutions and their customers.

That guidance was an "important first step," said David Dworkin, president and CEO of the National Housing Conference.

"We don't need servicers buried in bureaucracy approving modifications or forbearance in such a fast-moving crisis," he said.

But a blanket national halt to evictions and foreclosures would help policymakers get ahead of any uptick in delinquencies and defaults, and avoid putting the government in the position of "reacting to it and playing catch-up," said Jesse Van Tol, the CEO of the National Community Reinvestment Coalition.

"One of the reasons that a moratorium rather than some more nuanced guidance makes sense is this is an unknown crisis that could get really bad, and to be dealing with people getting evicted and kicked out of their homes in the midst of a public health crisis I think would add another layer of crisis on top of whatever we're dealing with next," he said.

Another reason for more assertive action, Dworkin said, is that borrowers may not be aware that lenders are encouraged to offer hardship forbearance as an option. He suggested that servicers contact delinquent borrowers to ask why any payments are late, and if the answer involves the virus, that loan payments temporarily be waived.

"That enhances the risk of the moral hazard that people may take advantage of it, but so many people could be impacted by this that I think that's a pretty small risk," Dworkin said. "Communication is going to be very important, and they need to be thinking about how they, through their servicers, are going to be proactively communicating with people who can't pay their mortgages."

There are also considerations to be made not only about the borrowers themselves facing eviction, but also communities as a whole where officials are encouraging social distancing and self-quarantine, said Alieza Durana, a spokeswoman for the Eviction Lab at Princeton University.

"Under normal circumstances, eviction is hugely disruptive to individual and family well-being generally, but in the context of a pandemic, the effects are even more dramatic, both for individuals and families, but also for society at large as we worry about the spread of the virus itself," she said.

Sens. Elizabeth Warren, D-Mass., and Jeff Merkley, D-Ore., have joined the chorus of those calling for the White House to temporarily bar foreclosures and evictions.

"A national moratorium is urgently needed to mitigate the hardship confronting many American workers who have already seen or will soon experience an unexpected and significant drop in income due to reduced consumer spending on tourism, travel, hospitality, entertainment and many other service sectors," they said in a letter sent Thursday to Trump.

Meanwhile, House Financial Services Committee members Alexandria Ocasio-

Cortez, D-N.Y., and Ayanna Pressley, D-Mass., took to Twitter to urge mortgage relief for affected borrowers.

While there is no precedent for the government forgiving mortgage payments or taking related actions because of the threat of a pandemic, it has been done previously after natural disasters for borrowers who may have been affected.

"Considering that novel coronavirus has already proven to be equally or more disruptive, deadly and widespread, the precedent for weather-related natural disasters should inform our decision to restrict foreclosures and evictions in response to the novel coronavirus pandemic," wrote Warren and Merkley.

Congress could also pass legislation, but that may be more difficult to accomplish, said Yentel, who urged lenders and the GSEs to cut homeowners and landlords a break during the crisis.

"I think that's probably harder to do, which is why I think it's so important that Fannie and Freddie and the banks show the leadership themselves without being required to, because they've done it before," she said. "I don't see why they wouldn't do it now."

Although halting mortgage payments and foreclosures would undoubtedly be costly for lenders and servicers, it could pay to be prepared, said Dworkin.

"This is going to be expensive, but not addressing it is going to be much more expensive," he said.

Fortunately, mortgage servicers are generally "better prepared to deal with a significant crisis" than in the lead-up to the financial crisis, said Van Tol. But if there is anything to be learned from 2008, it is that being proactive is better than being reactive, he added.

"I think it makes sense to get ahead of this and to have in place greater flexibility on the front end and to not delay and wait until it gets so bad," he said. "I think that's what happened in the foreclosure crisis in the Great Recession. I certainly hope that this is not as bad as that, but I'm looking for something more significant than just guidance saying servicers have flexibility."

M&A

Bank M&A was already slowing down. Then the pandemic hit.

By Ken McCarthy and Jim Dobbs
March 13, 2020

Mounting challenges — coronavirus fears, an emergency interest rate cut and chaotic financial markets — are forcing bankers to rethink their approach to consolidation.

What happens in coming months is anybody's guess.

While some industry experts assert that current events will eventually force more banks to sell, others are convinced that buyers and sellers will need time to assess pricing, scrutinize credit quality and adjust to fast-moving changes in the U.S. economy.

Buyers will likely "pump the brakes" on potential deals as they get a lay of the land, said Jim Tubbs, president and CEO of the $1.3 billion-asset State Bank of Cross Plains in Wisconsin. A big hurdle to cross will be the underlying strength of sellers' loan portfolios, he said.

"If this broader stuff drives us into a recession, what will it mean to asset quality?" Tubbs said. "In addition, if one of the currencies you're looking at is your own stock, what's this volatile market doing to the publicly traded currency?"

Volatility and uncertainty will create a much more challenging environment for bank M&A, said Bart Smith, a managing director and partner at Performance Trust Capital Partners. The global pandemic has stoked fears about a potential recession, with the potential outcome dependant largely on the length and magnitude of the coronavirus event, he said.

Bank consolidation was already off to a sluggish start before the stock market swooned on Monday. Activity through March 6 was down 24% from a year earlier, with 32 deals announced, according to data compiled by S&P Global Market Intelligence.

Only two deals — United Community Banks' pending purchase of Three Shores Bancorp. and Provident Financial Services' agreement to buy SB One Bancorp — have been announced this week.

Executives as those banks touted specific benefits that go beyond current uncertainty. United will enter new markets in Florida, while Provident will cross over a key regulatory asset threshold and address concerns about management succession.

Provident and SB One plan to work together, as much as they can, to avoid missteps prior to completing their deal.

SB One, for instance, must seek Provident's approval before signing off on any loans for more than $5 million, Christopher Martin, Provident's chairman and CEO, said during a conference call to discuss the deal.

Tony Labozzetta, SB One's president and CEO, and his team will be involved in sessions to craft Provident's three-year strategic plan. Labozzetta is set to become Provident's president and chief operating officer.

More willing sellers are likely to emerge in coming months, some industry observers said.

"There are a number of bankers out there who are already fatigued," said Alden McDonald, president and CEO of Liberty Bank in New Orleans. "With even lower rates, they're going to find it more difficult to manage spreads, and I'd think more will look at selling."

Still, determining pricing might seem like a game of pin the tail on the donkey.

Phil Timyan, a private bank investor who once ran the Riggs Partners investment fund, noted that the premium for the United-Three Shores deal fell from 152% of the seller's tangible book value to 111% between March 2 and its announcement on March 9.

Difficulties reaching an accord on premiums could steer more banks to low-premium deals, likely involving similar-sized parties.

"I would expect the recent trend of MOEs to be the continued bank M&A framework of choice since sellers would be unwilling to sell at depressed multiples," said David Chiaverini, an analyst at Wedbush Securities. "In an MOE both companies' shareholders would theoretically benefit from the upside in achieving cost synergies."

So in some regards M&A could be a waiting game to see if potential sellers are willing to accept lower premiums and buyers still feel comfortable about the underlying quality of targets' loan books.

Sellers "might think they should get out now while their last 12 months earnings look strong," Tubbs said.

CORONAVIRUS

Regulators urge banks to give relief customers affected by pandemic

By Brendan Pedersen
March 13, 2020

WASHINGTON — Two federal bank regulators — the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. — advised banks they regulate to take care of customers affected by the novel coronavirus, recommending that lenders consider waiving fees and allow for short-term flexibility in loan repayment.

In separate but overlapping bulletins, the FDIC and OCC said that banks with customers affected by COVID-19 would not be penalized by examiners for taking steps to mitigate financial losses in the coming months.

The bulletins outlined a series of measures the nation's banks could take to help cash-strapped customers, including waiving various fees, such as ATM or overdraft penalties. Both the OCC and FDIC also recommended that banks encourage greater access to cash for customers by increasing daily ATM withdrawal limits and "easing restrictions" on cashing checks from non-customers and those from out of state.

The OCC told banks that allowing loan payment flexibility for struggling customers had the potential to "ease cash flow pressures on affected borrowers, improve their capacity to service debt, and facilitate the bank's ability to collect on its loans."

The FDIC echoed the advice but put additional emphasis on the importance of flexibility for small businesses, writing in its bulletin that "these types of prudent arrangements for borrowers who operate small businesses can contribute to the well-being of local communities."

Both the FDIC and OCC reminded banks to proceed cautiously: Changes to any loan "should be based on the facts and circumstances of each borrower and the terms of the loan modification," the OCC wrote in its bullet.

The FDIC told banks they must evaluate whether or not certain loans loans experiencing pandemic-related stress qualify as "troubled debt restructurings," or TDRs. "According to accounting standards, a modification triggers a TDR only if the institution grants a concession to the borrower which it would not otherwise grant because a borrower is experiencing financial difficulties," the FDIC wrote.

At the same time, both agencies sought to reassure banks that the steps they take in the coming months to address the developing pandemic and its impact on bank customers would be subject to some supervisory relief.

"The OCC supports and generally will not criticize efforts to accommodate customers in a safe and sound manner," the bulletin said. "The OCC encourages banks to work with their supervisory office with respect to accommodations that may more effectively manage or mitigate adverse impacts due to COVID-19."

The FDIC wrote that it would "work with affected financial institutions to reduce burden when scheduling examinations, including making greater use of off-site reviews, consistent with applicable legal and regulatory requirements."

For commonplace matters, like filing audited financial statements, the OCC and FDIC encouraged banks that believed they may struggle to meet regulatory requirements in the near future to contact their regulator to discuss potential flexibility.

"The OCC will work with banks that may experience problems fulfilling their reporting responsibilities, taking into account each bank's particular circumstances," the agency wrote.

Both agencies are anticipating the possibility of widespread bank branch closures, either from staffing shortages or to limit customer and employee exposure to COVID-19.

The OCC told banks that it would not penalize institutions that "temporarily close or otherwise reduce access to a facility because of staffing challenges or to take precautionary measures," although it encouraged banks to do their best to minimize service disruptions.

The FDIC told its banks that while it preferred as few service disruptions as possible, the agency would accept the use of "alternative service options" should bank branches begin to close. The FDIC also said that if "operational challenges persist," it would commit to working with state authorities and "operate temporary facilities to provide more convenient availability of services."

CRISIS MANAGEMENT

Eight giant U.S. banks to suspend stock buybacks through June

By Bloomberg News
March 15, 2020

Eight giant U.S. banks including JPMorgan Chase and Bank of America agreed to stop buying back their own shares through the second quarter, saying they will focus on supporting clients and the nation during the coronavirus pandemic.

"The decision on buybacks is consistent with our collective objective to use our significant capital and liquidity to provide maximum support to individuals, small businesses and the broader economy through lending and other important services," the Financial Services Forum said in a statement Sunday. "Each member institution retains the ability to reinstate its buyback program as soon as circumstances warrant."

The trade association brings together the chief executive officers of eight firms U.S. regulators consider most important to the financial system. The other member firms are Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley, Bank of New York Mellon and State Street.

FEDERAL RESERVE

Fed slashes rate, announces new measures to encourage bank lending

By Hannah Lang
March 15, 2020

WASHINGTON — The Federal Reserve announced a series of more policy actions Sunday to ease economic stress from the spread of the coronavirus, including its second emergency rate cut this month and other steps intended to encourage banks to lend.

The Fed said it was slashing its federal funds rate by a whole percentage point to between 0% and 0.25% as the outbreak of COVID-19 has taken the global economy off track.

"The [Federal Open Market Committee] expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals," the FOMC said in a statement.

The Fed also announced a handful of additional actions Sunday, including lowering the primary credit rate by 150 basis points to encourage banks to lend via the discount window, which offers banks short-term liquidity, and urged financial institutions to use their capital and liquidity buffers to lend to people and businesses affected by the coronavirus.

"These capital and liquidity buffers are designed to support the economy in adverse situations and allow banks to continue to serve households and businesses," the Fed statement said. "The Federal Reserve supports firms that choose to use their capital and liquidity buffers to lend and undertake other supportive actions in a safe and sound manner."

Additionally, the Fed will reduce reserve requirements to 0%, effective March 26, which the agency said will also support lending.

"To further enhance the role of the discount window as a tool for banks in addressing potential funding pressures, the Board also today announced that depository institutions may borrow from the discount window for periods as long as 90 days, prepayable and renewable by the borrower on a daily basis," the Fed said.

The Fed's actions followed other steps by financial regulatory agencies and central banks to stave off further economic fallout from a worsening crisis. Earlier this month, the Fed cut the interest rate 50 basis points to between 1% and 1.25%, but its actions Sunday night suggested the initial cut was not enough.

On Friday, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. urged banks they regulate to address needs of customers affected by the novel coronavirus, including waiving fees and allowing for short-term flexibility in loan repayment.

Following the Fed's statement Sunday night, the central bank released a joint statement Monday morning with the FDIC and OCC encouraging banks to use the Fed's discount window "so that they can continue supporting households and businesses."

But there could be further efforts by policymakers to respond to the economic shock waves. According to published reports, Treasury Secretary Steven Mnuchin said he is looking at asking Congress to reinstate certain tools that had been restricted by the Dodd-Frank Act.

Also on Sunday, the Fed along with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank also agreed to lower the pricing on the standing U.S. dollar liquidity swap arrangements by 25 basis points, in an effort to boost the provision of liquidity through the standing U.S. dollar liquidity swap line.

The swap lines are standing facilities that serve as a liquidity backstop, and can help counter the effect of both domestic and global supply line strains as the coronavirus is expected to spread, the Fed said.

The FOMC also directed the Open Market Trading Desk on Sunday to increase its holdings of Treasury securities by at least $500 billion and its holdings of agency mortgage-backed securities by $200 billion.

The benchmark 10-year Treasury yield has been particularly volatile as investors have panicked over the spread of COVID-19, falling to an all-time low of 0.318% last week.

The Fed's actions coincided with a decision by eight of the largest banks to temporarily suspend share buybacks through the second quarter of the year.

"The decision on buybacks is consistent with our collective objective to use our significant capital and liquidity to provide maximum support to individuals, small businesses, and the broader economy through lending and other important services," according to a statement by the Financial Services Forum, a trade association representing the eight institutions. "The decision is consistent with actions by the Federal Reserve, the administration, and the Congress."

The group's members include Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley, State Street and Wells Fargo.

The Fed made its announcement Sunday instead of at the end of the FOMC meetings, scheduled for Tuesday and Wednesday, where the agency normally announces its interest rate policy decisions.

Going forward, the Fed still has additional tools in its arsenal to combat economic stress, said Fed Chair Jerome Powell in a press conference Sunday, such as forward guidance and more asset purchases. But the Fed is not currently considering cutting the federal funds rate any further, he said.

"We do not see negative policy rates as likely to be an appropriate policy response in the United States," said Powell.

FINTECH

Moven teams up with Saudi firm in cross-border fintech experiment

By Miriam Cross
March 13, 2020

Two fintech firms from different sides of the world — one a pioneer challenger bank from the United States, the other a fast-growing payments app in Saudi Arabia — are joining forces to create a banking service for young, tech-savvy Saudis who shy away from cash and spend a lot of time on their smartphones.

At one end of the partnership is Moven, an early challenger bank founded by Brett King in 2010. Over the last few years, it has ratcheted up the enterprise software side of its business, providing technology to banks around the world including TD Bank in Canada, Westpac in New Zealand and BCA in Indonesia.

On the other end is STC Pay. Its digital wallet app, which launched in 2018, allows users to make purchases, pay bills and transfer money to contacts in their phones, local bank accounts or international Western Union agents.

It operates under a license from the Electronic Money Institution through the Saudi Arabian Monetary Authority and is part of STC Group, the largest telecom in Saudi Arabia. In its first 10 months after exiting the pilot stage, STC Pay racked up 2 million users. The entire population of Saudi Arabia is about 35 million people.

Both fintechs say their collaboration will help them expand faster than they could have on their own and deliver financial wellness and banking services to customers hungry for such services.

"Moven has 10 years under its belt developing front-end architecture for challenger banks," King said. "The modern-day challenger bank is not just about the core system and front end, but it has [artificial intelligence] capabilities and data science layers." For example, Moven's algorithms can predict customer needs, such as an inability to pay a bill in the near term.

Moven is building the user experience for day-to-day banking in STC Pay, as well as providing access to a private cloud integrated into a core banking system and payments processor gateway.

Between this collaboration with STC Pay and his company's work with financial institutions around the world, King predicts more than 50 million people will use Moven technology by the end of the year.

STC Pay hopes to see its app on every smartphone in the region and provide quick, easy financial services that cater to the individual customer.

"One of the pillars of our strategies is to be customer-centric," said Ahmed Alenazi, CEO of STC Pay.

There are 13 local banks and many branches of foreign banks in Saudi Arabia, but none of them are providing customized services, Alenazi said. "If you go to YouTube, you want to see videos that you like," he said. "We want a unique service that meets the requirements of this generation."

That could include, for example, specific messaging tied to customers' behavior or financial psychological profile.

The new banking features are expected to roll out in Saudi Arabia this summer and will include a bank account, digital onboarding and virtual and physical cards. They hope to introduce microlending at a later date and eventually expand to other countries in the Gulf region and in Asia.

The cashless trend STC Pay and Moven are eyeing could accelerate in coming weeks as consumers seek to avoid physical contact amid the coronavirus pandemic.

"I think there will be more contactless and digital engagement, and we will be moving away from physical cash," King said. "This is a move to optimize customer support and service in the digital world. Under current circumstances, that is not only a good thing, but seems necessary."

SUCCESSION PLANNING

Wells Fargo hires TD's Ellen Patterson as general counsel

By Laura Alix
March 13, 2020

Wells Fargo has recruited TD Bank Group's general counsel to be its own top lawyer, the San Francisco-based bank said Friday.

Ellen Patterson will succeed C. Allen Parker as general counsel of the $1.9 trillion-asset Wells Fargo on March 23. She will report directly to CEO Charlie Scharf and will sit on the bank's operating committee.

"Ellen is a seasoned lawyer with extensive experience in the financial services industry, where she has had responsibilities for managing and advising on global legal and regulatory compliance risks," Scharf said in a press release. "She will play a critical leadership role on our operating committee as we continue to work on our company's top priority of meeting regulatory expectations."

Patterson worked for more than seven years at the Toronto-based TD Bank Group, most recently as its group head and general counsel. In that role, she was responsible for legal, compliance, anti-money laundering, corporate secretary, global security and investigations, and fraud risk management teams.

Patterson has been named as one of American Banker's Women to Watch for the past four years. She's been credited with improving TD Bank's diversity and inclusion programs and helping the bank to earn an "outstanding" Community Reinvestment Act grade from the Office of the Comptroller of the Currency.

Before she joined TD Bank, Patterson was a partner at the New York law firm of Simpson Thacher & Bartlett LLP, where she advised financial institutions on mergers and acquisitions, capital markets, and corporate governance matters.

"I look forward to collaborating with leaders across the company to shape the culture, help businesses innovate, and produce the best outcomes for the customers and communities Wells Fargo serves," Patterson said.

Her immediate predecessor, Parker, joined the bank as general counsel in 2017 to help guide the bank's regulatory policy in the wake of a series of scandals. He led Wells Fargo for six months while it searched for a new chief executive following Tim Sloan's resignation last year. Shortly after Scharf joined Wells Fargo, the company announced that Parker would leave his post in March.

Parker's predecessor, James Strother, is currently facing civil charges by the Office of the Comptroller of the Currency in connection with the fake accounts scandal that exploded into view in late 2016. He faces a potential $5 million fine.

COMMUNITY BANKING

North Carolina de novo to open after raising $50 million

By Paul Davis
March 13, 2020

A North Carolina de novo bank is ready to roll.

Organizers were scheduled to open Triad Business Bank in Greensboro on March 16 after raising $50 million. The group said in a press release Friday that it plans to raise another $5 million by the end of April.

Triad Business Bank received approval from the Federal Deposit Insurance Corp. and the North Carolina Commissioner of Banks in mid-March. The bank will have offices in Greensboro, High Point and Winston-Salem.

"I want to thank the Triad business community, my board members and my talented team of bankers for their hard work in successfully organizing the Triad's newest business bank," Ramsey Hamadi, the bank's CEO, said in the release. "I believe it will be an economic stimulus and a blessing to the Triad for years to come."

The bank's organizers include several former bankers at NewBridge Bancorp in Greensboro, which was sold in April 2016 to Yadkin Financial. Yadkin later sold to F.N.B. in Pittsburgh.

Janney Montgomery Scott was the bank's placement agent for the offering. Brooks Pierce McLendon Humphrey & Leonard was the group's legal counsel.

BANKTHINK

Virus is Dodd-Frank's first real test

By Rob Blackwell
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Since the moment Congress passed the Dodd-Frank Act, a landmark 2010 law meant to empower regulators to contain and limit the impact of the next financial crisis, there's been debate over whether it went far enough to accomplish its goal.

We're about to find out.

The novel coronavirus represents the first real test of Dodd-Frank, and in a way that none of its architects foresaw. And though many bankers continue to dislike and resent Dodd-Frank, they had better pray it holds up — both for the good of the economy in the short term and the future of financial regulation in the long term. Here's why: Dodd-Frank represented a compromise between those who wanted to upend the system by breaking up big banks and restructuring the regulatory system and those who wanted less drastic changes. The result was a law that included a number of sweeping alterations, but left the structure of the system intact.

At the time the law was being written, the focus was on new financial products and institutions that could wreak havoc on the economy. Policymakers wanted to prevent the spread of new products that helped fuel a wave of foreclosures and drove housing prices down. As a result, regulators were given additional powers to spot these early and stop them if necessary. As a backstop, regulators were required to enforce tougher capital and liquidity standards to ensure banks were more resilient overall.

But risky new financial products and institutions aren't the threat facing us now. Instead, it's a deadly virus that spreads relatively easily through communities. Governments worldwide are taking increasingly severe measures to contain the spread, including quarantining whole geographies.

It appears likely that large portions of the U.S. are about to be significantly disrupted — potentially for months. Schools are already shutting down, and private enterprises and government agencies are considering how best to enable employees to work from home for an extended period, an unprecedented step.

All of this is already creating an economic impact. The markets are in turmoil. The tourism industry is under siege. Layoffs have already begun in certain industries, including bakeries and travel agencies.

And, unfortunately, this is just the beginning. As people stay home, many small businesses like restaurants will be severely impacted. Banks will be on the front lines, whether ensuring access to cash or offering short-term emergency loans to customers. Italian and U.K. banks are already offering mortgage forbearance. U.S. federal regulators are encouraging banks here to work with customers.

In a meeting with President Trump on Wednesday, bankers rightly emphasized that the financial system is in sound condition. Indeed, banks are in much better shape to withstand another crisis — no matter what causes it.

They have more capital, and perhaps more important, they are more liquid. What's more, for the past decade, the biggest banks have undergone rigorous stress tests designed to probe what happens if an economy suddenly collapses. These exercises will be vital in the days and weeks ahead. They not only help banks prepare for the worst, they boost public confidence in the banking system, which is critical in any crisis.

But that strength is in large part due to Dodd-Frank, which significantly increased capital, liquidity and other requirements and codified the stress tests into law. The statute gave the Federal Reserve extra powers to address any deficiencies it uncovers. The question now is: Was it enough?

If the banking industry perseveres in the weeks and months ahead, bankers will have real, tangible proof that Dodd-Frank helped make the system safer.

If, however, we see another wave of bank failures and another bailout, public anger against banks is likely to make a resurgence. The calls for far-reaching structural reforms are likely to get louder and carry more weight. At the very least, regulation of banks will tighten.

Did Dodd-Frank do enough? Banks have a lot riding on the answer.

Rob Blackwell is the chief content officer of Promontory Interfinancial Network. He is the former editor-in-chief of American Banker. The views expressed in this article are his own and not those of Promontory Interfinancial Network.❑