Bank Exam Fees are a Tax on Banks and Their Local Communities

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A New Tax on Community Banks

Congress has been considering proposals to subject the federal financial regulators to the Congressional appropriations process.

The Financial CHOICE Act (H.R. 10), seeks to accomplish this and, in doing so, is required to include “offsets” for the added cost to the federal government of subjecting these agencies to the appropriations process. To meet this requirement, the version of the CHOICE Act approved by the House of Representatives on June 8, 2017 includes a funding offset in the form of exam fees to be assessed by the FDIC and the Federal Reserve. Identical state bank exam language is included in FY 2018 Appropriations approved by the House on September 14.

The Nation's Smallest Banks Will be Hit Hardest

This new tax on banks will hit the smallest, state-chartered community banks the hardest, and will divert money used for local economic growth to fund other priorities in Washington.

State banks that are Federal Reserve members and all bank holding companies will be forced to pay additional fees to the Fed to offset the cost to the Fed of examining banks and holding companies. State banks that are Federal Reserve members and all bank holding companies will be forced to pay additional fees to the Fed to offset the cost to the Fed of examining banks and holding companies.

Federal Regulator	State-Chartered Banks Impacted	Median Asset Size
Federal Reserve	828	$282 Million
FDIC	3,744	$183 Million

Beyond its direct impact on individual institutions, this dramatic change in federal agency funding upsets the balance of the dual banking system and weakens the diversity of our nation’s banking industry.

This approach could also further pressure smaller banks to merge or sell, further accelerating consolidation of the banking industry, and further ceding influence and control to the nation’s largest too big to fail banks.

CSBS urges members of Congress to show their support for the dual-banking system and reject this proposal.

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