Regulatory Burden Is Top Community Bank Concern in Annual Survey

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Washington, D.C. – Regulatory burden has risen to the top of community banker concerns, according to the 2024 Conference of State Bank Supervisors (CSBS) Annual Community Bank Survey, released today. Cost of funds, a chief concern last year, tied as a top external risk for surveyed bankers.

This is the eleventh year CSBS has conducted the survey, which captures the views of community banks with less than $10 billion in total assets on key risks, compliance costs, technology, competition, and liquidity and funding, among other areas. A total of 370 community bankers from 38 states participated.

“Last year, banks were worried about a recession. This year, they are more concerned about the cost of compliance after increased federal regulatory and supervisory activity over the last 18 months,” said CSBS President and CEO Brandon Milhorn. “With economic headwinds still blowing, regulators must stay focused on core financial risks and be wary of regulatory overreach that adds unnecessary burden on the backs of our community banks.”

Net interest margins and core deposit growth also ranked highly among surveyed banks, a theme also present in the 2023 survey and consistent with the high-interest rate environment.

Survey respondents continue to view cybersecurity as the highest internal risk to their banks. Technology implementation and costs ranked second, up from a tie for third in the 2023 survey and replacing liquidity, which held the second spot in last year’s survey.

Respondents indicated that inflation-created challenges are likely to persist but are manageable, similar to last year’s survey. Bankers shared that the effects of inflation are most impactful on costs of deposits, followed by personnel expenses, the value of securities investments, and operating expenses.

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The Conference of State Bank Supervisors is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial

service providers in the mortgage, money services businesses, consumer finance, and debt industries.

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