Community Banks Need Tailored Rules to Thrive

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Washington, D.C. – In testimony today before the House Financial Services Committee, Arkansas Bank Commissioner Susannah Marshall warned that without collective action from Congress and the federal banking agencies, the nation will continue to lose community banks, threatening banking access for millions of Americans – especially those in rural and small-town communities.

Marshall has served as Commissioner of the Arkansas Bank Department for five years, beginning her career as a commercial bank examiner in 1995. She also serves as the Arkansas Securities Commissioner and on the Executive Committee of the Conference of State Bank Supervisors (CSBS).

"To preserve community banking and support the communities that rely on these institutions, we must act now," Marshall said in her testimony. "Working together, we can establish a regulatory and supervisory environment that allows these cornerstones of the economy to not just survive, but thrive."

In addition to safety and soundness and consumer protections, state regulators are charged with economic growth in their states. Community banks are a core component of a vibrant economy, especially in rural areas. Over the last decade, however, the number of community banks has dropped by nearly 2,000 – one-third of their numbers in 2014. Only 62 new community banks were formed in that period.

Marshall noted community banks face many headwinds including increased competition, funding challenges, and high technology and personnel costs. These challenges are further compounded by ever-increasing federal regulatory and compliance costs.

In her testimony, Marshall specifically referenced federal banking regulators' focus on process rather than core risks, creating a "process tax" that puts community banks at a competitive disadvantage to larger banks and other financial services providers.

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The Conference of State Bank Supervisors (CSBS) 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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