Net Interest Margins Bump Reg Burden as Top Community Bank Concern

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Washington, D.C. – Community bankers report net interest margins have overtaken regulatory burden as their top external risk in the 2025 CSBS Annual Survey of Community Banks.

Now in its twelfth year, the annual survey gauges internal and external risks, competition, safety and soundness, and deposit insurance policy. This year, community bankers expressed that their internal concerns remain steady, while external threats have shifted dramatically.

Regulatory burden fell to the sixth highest concern amid a changing political landscape. Now, core deposit growth ranks second among surveyed banks, followed by economic conditions, cost of technology, and cost of funds.

Cybersecurity remains the top internal risk, surpassing all other risks — external and internal — by a healthy margin. Technology implementation and related costs rank second, while credit replaces liquidity in the third spot.

“One of the biggest shifts in this year’s survey was that community bankers expressed less concern over regulatory burden and are now primarily focused on managing interest rate risks and maintaining and growing deposits,” said CSBS President and CEO Brandon Milhorn. “The survey also revealed greater concern over uncertain economic conditions and continuing risks associated with the cost and integration of new technologies.”

Community banks report local regional banks as their primary competitor for payment services, with nonbank institutions as the second highest. Payment-services competition shows the largest year-over-year change, with competition from nonbanks without a physical presence in the market also increasing.

Most survey respondents indicate they would support changing the current deposit insurance framework, with targeted unlimited coverage and increased coverage scoring the highest among alternative solutions.

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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 roughly three-quarters 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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