

# Community Bankers Remain Positive about Their Future Despite Concerns

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**Washington, D.C.** – While community bankers remain optimistic about the future, their outlook on the impact of monetary policies and regulation is waning, according to the Conference of State Bank Supervisors' (CSBS) most recent quarterly poll.

The first quarter [Community Banker Sentiment Index \(CBSI\)](#) slipped one point to 131 from last quarter and two points from its record peak six months ago. The overall index remains well above the neutral level of 100 and continues to signal community banker optimism for the year ahead.

The profitability, operations expansion, and franchise value components all increased and remained strongly in positive territory. However, the monetary policy and regulatory burden indicators dropped sharply by 13 points and eight points, respectively.

“While bankers have greater uncertainty about national economic conditions, mainly due to potential impacts from the Iran war, they remain optimistic that their loan portfolios in their local economies will lead to higher profitability and franchise values,” said CSBS Chief Economist Tom Siems.

The CBSI surveys community bankers nationwide in the last month of each quarter to capture their thoughts on future economic conditions in seven areas. An index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

A total of 254 community bankers from 42 states and the District of Columbia responded to the survey. Quarterly results are included in the Federal Reserve Economic Data, the online database maintained by the Federal Reserve Bank of St. Louis, known informally as the FRED.

Several community bankers voiced concerns on how the war in Iran might impact the U.S. economy, specifically inflation from higher oil prices, raised recession probabilities, and the possible impact of the Federal Reserve's monetary policy decisions.

While community bankers still foresee a lighter regulatory environment in the coming year, their optimism has faded somewhat. The regulatory burden indicator, at 122, has remained at or above 100 for six straight quarters, following 15 consecutive quarters—from early 2021 to late 2024—when the indicator was consistently below 30 indicating a much heavier regulatory burden expected.

Community bankers expressed concern about regulatory matters, such as deposit flight resulting from the current stablecoin legislation and the risk of lax check fraud controls by the big banks due to rules that limit depositing banks' liability.

The CBSI Uncertainty Index (the "I don't know/unsure" responses for all seven components) returned to 31 this quarter, indicating more uncertainty than recorded in the previous quarter's survey.

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**X: CSBSNews**

*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.*