

January 17, 2025

The Honorable Cindy Hyde-Smith
United States Senate
Washington, D.C. 20510

Dear Senator Hyde-Smith:

On behalf of community banks across the country, with more than 50,000 locations, I write to express our support for the Promoting New Bank Formation Act of 2025 (S. 113), which would promote the creation of de novo community banks, especially in America's rural areas. Rural America in particular has been adversely impacted by the rapid consolidation of financial institutions over the past decade, which has reduced the number of access points to credit and other financial services for rural farmers, small businesses and consumers.

S. 113 contains the following provisions:

- The bill would direct the Federal banking agencies to issue rules that provide for a 3-year phase-in of capital standards. This provision would lower one of the primary barriers to the creation of de novo banks: raising capital.
- The bill would allow a de novo community bank to request permission from the Federal Deposit Insurance Corporation to deviate from its approved business plan. Local economic circumstances change, and a de novo must have the ability to adapt and revise its business plan so that it can succeed.
- The bill would create a three-year phase-in of the Community Bank Leverage Ratio (CBLR) for rural community banks, with a CBLR of 8 percent in year 3 and lower percentages, to be determined by the Federal banking agencies, in years 1 and 2.
- The bill would remove limitations on agricultural lending as a percentage of assets for federal savings associations and thrifts. This provision will expand credit for American agriculture.

The provisions above would provide more regulatory, capital and lending flexibility which will facilitate the creation of de novo banks, encourage investment in these banks and promote their viability. Excessive regulation is a burden for all community banks, but it presents a special challenge for de novos that must dedicate their resources to establishing a foothold in their market and achieving viability. S. 113 will promote more competition in rural markets for financial services, expand access to credit, and support the economic vitality of rural America.

Thank you again for introducing S. 113. We look forward to working with you to advance this legislation.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO