Transcript of Community Bank Conference:
Remarks by Secretary of the Treasury Scott Bessent
October 9, 2025

SCOTT BESSENT. Good morning. It's an honor to be with you today. Unfortunately, the government is still shut down because members of the Senate refused to support the clean government funding bill, which was passed by the House weeks ago. Across the Trump administration, we are eager to get the government reopened so agencies can continue to work for the American people. Glad to see all of you were able to continue your work today. This morning, I wish to focus on how we can better serve the American people and the important role community banks play in that effort. To begin, I would like to express my appreciation to Vice Chair Bowman for arranging this conference. She and I are committed to protecting the role of community banks in our financial system. This conference is a testament to that commitment. As you all know, better than most, regulation has gradually suffocated the banks that are closest to the men and women who work the jobs, pay the bills, and take out the loans that fuel growth in small town America, banks that not only know their customers by name but also their financial hopes and dreams, in other words, banks like yours.

To reverse course, earlier this year, I called for a fundamental reset of financial regulation. No longer will regulation serve to entrench big banks and empower Washington bureaucrats to the detriment of community banks and the clients they serve. President Trump and this administration have charted a new course for our economy, one that strengthens both the shop floor and the trading floor. This is what I call the era of parallel prosperity where Main Street and Wall Street grow together. Who will turn this vision into reality? The men and women in this room. Community bankers are laying the foundation for America's Golden Age one loan, one family, and one small business at a time. My job as Treasury Secretary is to make it easier for you to do your job. To that end, we have worked hard for the first eight months of this administration to empower community banks to take back control of their own future.

This morning, I will discuss why the Trump administration has sought to empower community banks, how we have done it, and where we will go from here. First, why. Community banks are essential to America's heartland. They provide the capital that binds small towns together. Community banks make the charitable contribution for the new playground. They make the loans for small businesses, farmers, and first-time home buyers. They employ local leaders and teach financial literacy in our schools. Parallel prosperity, as I mentioned before, is the idea that Main Street and Wall Street can grow together, and community banks play an instrumental role in driving growth on the Main Street side of the ledger.

To expand opportunities for all Americans, the banks that serve Main Street must have the same chance to succeed as the banks that serve Wall Street. But the post-crisis regulatory framework has instead become a threat to the community bank model. Since 2010, we've lost 3600 community banks, a reduction of over 45%. Community banks' share of bank assets have fallen from 23% to 15%. Their share of outstanding bank loans has fallen from 27% to 20%. Their share of outstanding bank CRE loans has fallen from 52% to 41%. This represents an acceleration of trends that predate the 2008 financial crisis. And, in a disturbing new development, de novo chartering has dropped precipitously, averaging just six new banks per year since 2010. For comparison, in the years prior to 2008 there were 100-plus new banks chartered each year. Each year. The post-crisis framework has left a trail of destruction in its wake by reinforcing the larger economic dynamics that have hollowed out the American heartland while enriching the money centers in coastal cities. To be clear, the financial crisis underscored the need for new regulations. The purpose of Dodd-Frank was to end "too big to fail," but it ended up creating "too small to succeed." These new regulations entrenched the dominance of the largest banks by rewarding economies of scale and necessitating effective lobbying operations here in Washington.

What followed was a community bank bottleneck that left America's hometown's reeling. President Trump and this administration have seen what the heavy hand of government has done to community banks and the families you all serve, and he has set out to fix it. Why? Because we know that the Main Street revival starts with a community bank comeback. How will we position community banks to succeed? Let's start with the early wins. Just days after President Trump was sworn into office, the administration began rolling back the regulatory excesses of the Biden years. The regulators ended the politicized use of reputation risk and supervision. They proposed to rescind an embarrassing, complicated 60,000 word Community Reinvestment Act rule, and they retracted a merger policy statement that was both bad policy and bad law. The previous administration pushed for rules and guidance that micromanaged corporate governance, entangled the bank regulators and climate risk management, unduly restricted brokered deposits, precluded responsible bank innovation and crypto and other blockchain technologies, and imposed arbitrary restrictions on incentive compensation.

These Biden-era proposals were bad for banks, bad for business, and bad for America, especially Main Street. So President Trump slashed all of them. To restore the strength of community banks, the new administration has replaced this Draconian agenda with a new, more constructive agenda. The FDIC, for example, has recommitted to tailoring by proposing to raise and index asset thresholds. It has streamlined examination procedures and branch applications. It has started work to reestablish a supervisory appeals body. Not to be outdone, the OCC has implemented its own reforms. Comptroller Gould has been on the job for only 12 weeks, but he has already reduced assessments on small banks by 30%; reversed the plan to merge community bank supervision into large bank supervision; and replaced community banks' formulaic examination schedules with a more risk-based approach. Vice Chair Bowman, meanwhile, has long advocated for revisiting the community bank leverage ratio. I expect that effort will soon culminate in a proposed reduction in the community bank leverage ratio.

The CFPB, for its part, has started to revamp Section 1071 reporting requirements and reconsider the open banking rule. And it has withdrawn more than 60 interpretive rules and other guidance documents. Following the administration's example, Congress has also taken up the effort. It has nullified the CFPB's overdraft rule and prohibited the furnishing of mortgage-related trigger leads. The House Financial Service Committee has likewise advanced two dozen important reforms to community bank regulation, while the Senate Banking Committee held a hearing and hopefully will soon mark up an expansion of FDIC insurance on non-interest-bearing transaction accounts. There is still much to look forward to on the regulatory front. This includes two new proposals that will reset the culture of supervision. Two days ago, the FDIC and the OCC proposed a rule that would codify the recently adopted prohibition on using reputation risk as a basis for supervisory criticism. The FDIC and the OCC also proposed a rule that would define unsafe or unsound practice or condition. While simply defining a term might sound like a small thing, it marks a big step forward. Only in the world of unaccountable regulators could a key concept have gone unidentified for so long. The past failure to define this term led to supervisory criticisms focused on process or documentation related to governance, model management and third-party risk management, in other words, topics that often had little or nothing to do with a bank's actual financial condition.

This regulatory myopia was a driving force behind the spring 20 -- behind the spring of 2023 bank failures. Once finalized, a clear focus on material financial risk will put an end to this nonsense. I'm also optimistic about AML/CFT reform. In my meetings with community bankers, they list CTR filings, structuring SARs, and process-focused examinations among their top concerns. Today, FinCEN released FAQs to address pain points on some of these issues, including triggers for restructuring SARs, continuing activity reviews, and the absence of any requirement to document a decision not to file a SAR. These are common sense yet consequential reforms that will ease regulatory burdens without undermining law enforcement efforts. As part of our broader campaign to modernize illicit finance regulation, FinCEN and the bank regulators are hard at work on a new rule to define the requirements for an effective AML/CFT program. My expectation is that a proposal will recenter supervision where it should be: on the effective effectiveness of a bank's AML/CFT program. I likewise expect that proposal will position FinCEN as a gatekeeper for AML/CFT enforcement.

This will be a significant departure from the past, with its zero tolerance focus on process documentation and wide latitude for supervisory expectations and judgments that are not always consistent with the law or our national security priorities. A focus on higher value activities will also better serve our law enforcement and national security objectives. These are all important victories, to be sure, but much work remains to be done. Where do we go from here? Going forward, Treasury will continue to drive reforms to improve regulatory tailoring, refocus the culture of supervision, and modernize our illicit finance regulation. Specific priorities will include reforms to the rating system; new processes for monitoring examiners' compliance with supervisory policy; mechanism for independent appeals of supervisory criticisms; coordination to avoid duplicative examinations by different regulators, and review of the core platform providers, including contract terms that prevent community banks from innovating for the future. For community banks to go back on the offensive, we need to take a closer look at the dynamics that have undermined the community bank model and work to fix them.

To that end, as I have said before, Treasury is focused on ensuring that modernization of our capital framework ends the capital arbitrage that drives bank lending to nonbanks. This will likely entail reduced capital requirements for large banks on mortgage loans, investment grade corporate loans, and some other important exposures. We must therefore ensure parity by giving smaller banks at least the option to benefit from these reduced requirements. Treasury has also supported congressional efforts to modernize the deposit insurance framework. I am encouraged to see emerging bipartisan support for increasing FDIC insurance limits on non-interest-bearing transaction accounts. In addition to these efforts, Treasury has taken an informed and careful approach to Fannie Mae and Freddie Mac. Any actions on the GSEs must not increase borrowing costs and must preserve what works in the current system. That includes the prohibition on volume-based discounts for large lenders, as well as the cash window and other features that preserve equal secondary market access for small lenders.

Now allow me to close with a call for action. Before President Trump took office, community banks spent decades on the defense. But, under President Trump's leadership, the game has changed. The playing field will be even more even. The ball is in your hands again. What happens next is up to you. So my advice: Go on the offense. Retake market share. Chase after customers. Champion technology. Leverage the new regulatory landscape to your advantage, and expand your role in the American economy. The community bank comeback will help pave the way for America's Golden Age. Recognize the outside -- outsized role you play in these -- this effort and embrace it because, if you lead the way, Main Street will follow. Thank you.

[Applause]