

**Written Testimony of
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Before the United States House Committee on Financial Services

The Future of Deposit Insurance: Exploring the Coverage, Costs, and Depositor Confidence
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Chairman, Ranking Member, and Members of the Committee:

Thank you for the opportunity to testify. My name is Jill Castilla.

I serve as the Chairman, President & CEO of Citizens Bank of Edmond; Chairman of Citizens Bancshares, Inc in Edmond, Oklahoma and the founder of ROGER, the nation's first digital military bank in the country¹. I am also an inventor and patent holder for a self-service banking system that expands access to cash and coin services for small businesses 24/7.

My professional foundation includes nearly a decade at the Federal Reserve Bank of Kansas City in various management roles. Most recently, I served on the Federal Reserve System's Federal Advisory Council (FAC) from 2022 to 2024, a period marked by some of the most disruptive of financial conditions in modern community banking. During this time, the Federal Reserve undertook the fastest series of interest-rate increases in 40 years, banks faced sharp declines in securities valuations, and the industry experienced the regional bank liquidity crisis triggered by high-profile failures in early 2023.

On the Council, I provided the Board of Governors with perspective from the front lines of community banking—describing deposit volatility, pressure on liquidity and funding, rising regulatory expectations, and the spillover effects of market panic on institutions far from the headlines. I shared how local depositor behavior shifted in ways we had not observed in previous cycles, how supervisory ambiguity amplified risk aversion, and how community banks—despite strong capital and conservative balance sheets—faced the same contagion pressures that destabilized much larger institutions. That experience strengthened my conviction that deposit insurance reform must be informed by the realities of Main Street banking.

This same perspective and unwavering commitment to Main Street shapes my testimony today. In the testimony that follows, I will underscore that depositor confidence - built through transparency, accountability, and day-to-day accessibility - remains the true backbone of community banking stability and cannot be replaced by blanket guarantees. I will explain why the events of 2023 were fundamentally a crisis of confidence, not a shortfall of coverage, driven

¹ Over my career, I have been named to American Banker's Most Powerful Women in Banking lists for each of the past 12 consecutive years, and recognized nationally with awards including Cornerstone Advisor's Banker of the Year, Banking Dive's Executive of the Year, American Banker's Community Banker of the Year, Gonzo Banker's Looking Out for the Little Guy Award, Epcor's David P. DeMarea Payments Innovation Award, and Finovate's Fintech Partnership of the Year. My team at Citizens twice received American Banker's Most Powerful Women in Banking – Top Teams distinction, and I have also been recognized as one of the Bank Innovation's Most Innovative CEO in Banking, a Power Woman in FinTech, Oklahoma Christian University's Business Leader of the Year, and one of Oklahoma's Most Admired CEOs.

by concentrated uninsured deposits, poor risk management, and failed communication, problems that trust-centered community banks mitigated through proactive outreach and clear disclosure. I will also address the risks of dramatically expanding deposit insurance, including moral hazard, competitive distortions favoring the largest institutions and credit unions, and the likelihood of regulatory gaming that shifts costs to well-managed community banks. Finally, I will outline the case for data-driven reform and tailored regulation, focusing on transparency, proportionality to scale and risk, and improvements that strengthen what already works. With these measures, policy can support confidence rather than substitute for it.

Further, providing the FDIC with emergency Transaction Guarantee Account authority, addressing supervisory deficiencies like accounting policies and concentration limits, and revisiting the way failed institutions are resolved,² must be taken into account when addressing these critical issues without subsidizing large and regional banks on the backs of Main Street. My mission-driven work has focused on rebuilding trust in financial institutions and expanding economic opportunity in places that have been long overlooked or underserved. Our commitment led to underwriting the first major commercial development in Northeast Oklahoma City in more than forty years, filling a grocery and healthcare desert; preserving the historic Tower Theatre in a majority-minority corridor; and launching Heard on Hurd (our 12-year, monthly food truck and music festival), Vault 405 (our certified small business incubator), and RISE (our retail incubator for aspiring shopkeepers), which together have revitalized downtown Edmond, supported thousands of entrepreneurs, and provided a direct economic impact of over \$100 million. During the COVID-19 crisis, that same mission drove the development of technology that helped more than 250,000 small businesses navigate PPP forgiveness efficiently, transparently, and free of charge.

My military background is the foundation beneath that mission. I am a former enlisted soldier, a military spouse of twenty-five years, and a Blue Star mother to two active-duty officers, one serving in the United States Navy and one in the United States Army. I was appointed Civilian Aide to the Secretary of the Army (CASA) in 2019 and now serve as CASA Emeritus. In 2025, I was inducted into the Oklahoma Military Hall of Honor for my advocacy on behalf of service members, veterans, and military families. These experiences shaped the creation of ROGER, a digital military bank built around the realities of enlistment, deployments, relocations, and the financial vulnerability military families often face—needs I knew firsthand as a young soldier.

My service extends to board leadership with the Association of Military Banks of America, the Oklahoma Finance and Industrial Authorities, the Oklahoma Hall of Fame, and the Port Authority of Oklahoma City. I also serve on the inaugural U.S. Small Business Administration's Small Business Lending Advisory Council. Across every chapter of my career—community banking, Federal Reserve, service member, innovator, entrepreneur, and military family advocate—I have worked to strengthen the financial infrastructure that strengthens American

² The First National Bank of Lindsay's failure in 2024 and resulting loss to certain depositors demonstrates the need for a revised approach to resolving failed institutions as there were other potential offers to acquire deposits of the failed bank without any loss to the depositors. Rather than subscribe to the current limiting approach that is shielded in secrecy and close door conversations, Congress should require open resolution in asset-auctions and publicly available records of cost and accounting. Further, any definition of "least-cost" must allow for the FDIC to consider a wide range of options that mitigate the negative impacts to the affected community, and depositors.

families, communities, and national security. That full perspective informs my testimony today on the future of deposit insurance.

Citizens Bank of Edmond was founded in 1901, before Oklahoma was a state, before the Federal Reserve existed, and before the FDIC was created. It has survived booms, busts, dust bowls, and every financial crisis this country has faced. For more than 120 years, our bank has kept its doors open and its commitments honored. It survived because generations of Oklahomans believed in the same thing I'm here to talk about today: trust, earned in public, not assumed in private. Today, Citizens Bank of Edmond is recognized nationally as one of the most innovative, resilient community banks in the United States. We operate a single location with about \$400 million in assets, yet we compete and win against institutions many times our size. We are one of only fifteen women-owned banks in the country and our largest shareholder is our employee stock ownership plan, making our team true owners in our mission and success.

As the CEO, I sit in the lobby, just behind our teller line where I can see firsthand if our customers are experiencing stress or confidence. In fact, every member of our team sits on the first floor of our one-location bank if they aren't manning our drive-through. Accessibility, transparency, and accountability are in our DNA and we live it every day on the intersection where we've been for nearly 125 years.

We serve small businesses, teachers, veterans, and families who live and work in our community. We know our customers by name, and they know ours. They also know they can find me right there in the lobby, not tucked away in a high-rise building, or easily text me 24/7. When the financial system shakes, we do not wait for someone else to steady it. We pick up the phone, talk to our customers, and steady it ourselves. In those moments, deposit insurance is important, but the real backstop is the trust and social capital we have earned over time.

I offer this testimony from that experience: as a community banker who has managed through uncertainty and knows how stability is earned. I am here as someone who has seen how quickly confidence can slip and how powerfully it can return when facts, honesty, and action come first. The Committee's work on deposit insurance is essential, and I approach it from the perspective of what community banks need to keep the system strong: clarity, transparency, and reforms grounded in data rather than assumptions.

The Citizens Bank of Edmond Model

Citizens Bank of Edmond is located in a vibrant suburb of Oklahoma City with rich competition from banks and credit unions of all sizes. We are the community's original bank, the oldest bank still operating that was founded in Oklahoma County. Citizens is widely known, in our city, state, and even nation, for our community building. We focus first on growing deposits organically before growing assets. As the original crowdfunders, Main Street banks like ours deploy the hard-earned money of our depositors locally, supporting their neighbors and financing the small businesses that keep our community strong. What we do is not just loans and deposits. It is connecting people to the soul of their community and showing that everyone can succeed when they can access the tools of the community. Every dollar we hold represents the trust of a person or family who worked to earn it, and we treat that responsibility with absolute seriousness. When

someone places their money with us, they are not giving us funds to manage. They are giving us their confidence, and we treat that as the most valuable part of the relationship.

In the lobby of our bank every day, we are fully accountable and accessible to the customers and community we serve. That visibility and transparency define how we operate. When I arrived at the bank in 2009, it was in troubled condition. We did not hide from that reality. We published information about our situation, faced the community directly, and earned trust through honesty and hard work. As in the recent crisis, I provided concerned customers with nonpublic financial information, including our uninsured deposits information, on balance sheet liquidity, off balance-sheet liquidity sources, unrealized losses, capital projections, management decisions, and credit quality metrics. Through those conversations, it was evident that our bank's social capital was just as important, if not more important, than our financial capital. Our customers stood beside us through that dark period, and we're now stronger than ever. The community was just as afraid of losing our bank, and the impact it makes, as they were about losing their money. That kind of trust cannot be manufactured. Confidence has to be earned in full view of the community you serve.

Innovation and community service are at the heart of everything we do. We founded ROGER, a military-focused digital bank serving service members and their families. We created Heard on Hurd, now the nation's largest monthly food truck and independent music festival, which has generated an estimated \$100 million in economic impact over twelve years. We built Vault 405, a certified business incubator that supports more than 100 small businesses every week, and launched RISE, a retail incubator that gives new shopkeepers the chance to test and grow their ideas.

Our team competes with the best technology available, holding a patent for small business cash management that has been deployed across Oklahoma City and Edmond. During the COVID-19 crisis, when small businesses were desperate for clarity, we ran toward the problem. We launched a free national PPP forgiveness tool when the SBA process stalled, and we modeled how banks could deliver stimulus payments to American families when the Treasury delayed. Those efforts earned Finovate's Fintech Collaboration of the Year Award.

Our goal has never been to chase growth for growth's sake. It is to show that a community bank can be safe, innovative, and indispensable all at once. While some institutions specialize narrowly or depend on government backstops, we have proven that one locally owned, community-focused bank can do it all with precision, care, and accountability while embodying the spirit of "It's a Wonderful Life". We believe that local banks like Citizens have a long, prosperous future, continuing to modernize the trust shown so clearly through George Bailey. The model works because it is grounded in transparency and responsibility, not in assumptions that someone else will step in if things go wrong.

Lessons from 2023: A Crisis of Confidence, Not Coverage

The banking turmoil of 2023 was not caused by inadequate deposit insurance. It was caused by avoidable poor management and inconsistent supervision. It was a crisis of confidence, not a crisis of coverage.

When Silicon Valley Bank, Signature Bank, and First Republic failed, they exhibited a common vulnerability: concentrated uninsured deposits, volatility, and poor communication with their customers and shareholders. These large publicly traded banks neglected the fundamentals of liquidity and interest-rate management, failed to diversify, and did not engage effectively. Unlike community banks, which maintain closer relationships with their clients, these institutions lost their customers not because of FDIC limits, but because trust was eroded.

At Citizens Bank of Edmond, we took the opposite approach. We called our customers before they called us. Within hours of the first headlines, my team contacted every depositor with uninsured balances. We explained how much of their money was already insured and how we could make the rest fully protected using reciprocal deposits, Federal Home Loan Bank (FHLB) letters of credit, and collateralized deposits.

We did not wait for a press release or a regulator's talking points. We acted. Trust requires action.

That same weekend, sitting in a hotel room as my sister awaited surgery, I recorded a short video explaining how deposit insurance works, what we were seeing in the market, and what our balance sheet looked like. Daily, we shared numbers that most banks keep private: our uninsured-deposit ratio, our liquidity, and our capital strength. When the public knows the facts, they stop guessing. In those moments, social capital mattered as much as financial capital. People stayed because they trusted the institution and the people running it.

On March 13, 2023, as the situation unfolded, I issued a public letter to our customers. The letter explained that the bank was well-capitalized, liquid, and diversified, and reminded our community that we had stood on the same corner in downtown Edmond for 122 years with detailed nonpublic financial information supporting these statements. The letter also included my direct phone number and email address and invited anyone with questions to call or text me personally – it was published publicly and on social media. We explained that Citizens Bank of Edmond had used deposit insurance tools like reciprocal networks for more than a decade and that our team was ready to help customers maximize coverage.

We later added video messages with detailed explanations of FDIC insurance, CAMELS ratings definitions, FHLB functions, and the steps customers and banks can take to protect deposits above \$250,000. It became one of the most visited sections of our site, and community banks across the country replicated it for their own customers. Many of our posts went viral, reaching consumers and businesses well beyond our customer base.

We used every channel available to share the same information publicly. From detailed LinkedIn posts explaining how deposit insurance really works to what tools community banks use to protect deposits. Our posts were referenced throughout national media as an example of calm, transparent communication during the crisis. When the headlines are loud, calm and transparency matter most.

Depositors can have peace of mind. Banks can protect funds well above \$250,000 safely through account structure management, reciprocal deposit networks, collateralized deposits, and FHLB letters of credit. These tools already exist. They are disciplined, regulated, and available to every customer who asks.

Our customers stayed calm because we gave them facts instead of nonspecific reassurances. Many brought us additional deposits after realizing we could protect every dollar without a bailout. During the same week that regional banks were losing deposits, we were opening new accounts. Customers told us repeatedly that our transparency built their confidence.

FDIC data later confirmed what we saw firsthand: community banks remained stable. The outflows came from a few concentrated institutions, not from the thousands of local banks serving Main Street.³ Across the country, community banks were the stabilizing force that kept the system steady while others stumbled.

At Citizens Bank of Edmond, core deposits continued to grow organically, substantially, and consistently after the crisis with the bank, expanding our balance sheet without additional borrowings, brokered funds, or listing services. We regularly accepted new relationships from customers leaving larger banks, and we sold excess liquidity to institutions that needed it. We did not need emergency programs, special coverage, or government guarantees. We relied on what we already had and worked to preserve: our customers' trust. That is the difference between community banking and complacency.

The lesson of 2023 is not that the \$250,000 limit is too low. Banks that refused to use the tools already available to protect and communicate with their customers paid the price for that inaction and caused a perception of instability throughout the system. Those that earned trust did not need rescue.

Confidence does not come from insuring every dollar. It comes from communication, competence, and integrity. That is how community banks kept the system together when panic hit the headlines.

Deposit Insurance Today: What Works and Why

The FDIC insurance system has done its job for ninety years. Since 1933, no depositor has lost a penny of insured funds. The current limit of \$250,000 covers more than 99% of deposit accounts and more than 86% of total deposit balances in the United States.

At Citizens Bank of Edmond, 90% of our deposits are fully insured. For customers who need protection beyond that limit, community banks already have proven, regulated tools that extend coverage safely and efficiently without additional strain on the FDIC or taxpayers.

The most traditional method is collateralization, where banks pledge securities to secure deposits above the FDIC limit. This approach is widely used for municipalities and public entities that must maintain fully insured or secured funds. It provides a direct, asset-backed guarantee of safety. However, recent regulatory changes have made this process far more complex for smaller institutions. Banks are now required to provide daily market values for pledged securities. For large national banks, this may be a simple system feed. For community banks, it becomes a manual, resource-draining task that pulls attention away from lending and service.

³ Federal Deposit Insurance Corporation. (2024). *2023 Summary of deposits highlights*. FDIC Quarterly, 18(1), 63–74.

Another widely used method is the pledging of FHLB letters of credit. These letters provide the same level of assurance to public depositors and large corporate clients, but they are fully collateralized and managed through the FHLB system. They deliver safety without the administrative burden of daily valuations, which is why many community banks rely on them as a more efficient and scalable solution.

Modern community banks also make extensive use of reciprocal deposits, which distribute a customer's funds across a network of well-capitalized banks, keeping each portion below the \$250,000 insurance cap. The depositor sees a single account and statement with full visibility into the participating banks and balances. The system automates what once required multiple accounts at different banks and provides same-day liquidity.

Reciprocal deposits are not brokered or transient funds. They are relationship-based deposits in which Citizens Bank of Edmond remains the customer's primary bank. This structure allows customers to maintain the efficiency of keeping their funds and point of contact with one trusted institution while benefiting from the protection provided by many. Customers work directly with their banker, receive consistent service and counsel, and gain access to the safety of a nationwide network without sacrificing local accountability. This Committee has recognized the value of these tools through H.R. 3234 (the Keep Deposits Local Act) which passed the Committee by a vote of 51 to 0 and would allow more reciprocal deposits to be treated as non-brokered based on an institution's size. That is a data-driven, bipartisan affirmation that reciprocal deposits are a stabilizing force, not a source of instability.

Reciprocal programs have evolved dramatically. What began as certificate-of-deposit placements with limited liquidity and access to funds has evolved to include money-market and ICS accounts that provide full daily liquidity and can sweep funds automatically each business day. These money market accounts are ideal for payroll and operating accounts that require liquidity while still earning a return. Recent legislative work recognizes this shift. H.R. 5317 (the Community Bank Deposits Access Act) would modernize how custodial deposits are classified so that well-run community banks can serve fiduciaries, plan administrators, and trust customers without being penalized as if these were brokered, unstable funds.

Before these tools existed, large and diligent customers would sit in my office, reviewing call reports with me to decide how to divide their deposits safely among multiple banks. They would then drive from bank to bank, opening and monitoring multiple accounts just to stay fully insured. Reciprocal deposits streamlined that entire process. They allow those same customers to exercise due diligence and select or exclude participating banks while eliminating the need to manage numerous accounts. The result is full transparency, complete control, and far greater efficiency.

All of our reciprocal deposits are interest-bearing. Customers earn interest, maintain same-day access, and avoid the logistical challenge of manually spreading funds across multiple institutions. They can also exclude any banks from participation if they have concerns.

At Citizens Bank of Edmond, we absorb the cost of the network so that customers receive these benefits at no charge. The standard fee for these reciprocal networks is approximately 12.5 basis points. New competitors are entering the market with similar products at 4 to 6 basis points, increasing choice and keeping the system competitive.

Reciprocal deposits and FHLB programs include built-in guardrails that promote safety. Troubled institutions, particularly those with CAMELS ratings of 4 or 5, face restrictions on accessing reciprocal networks or expanding FHLB borrowings. Those limits protect depositors and the integrity of the system by ensuring that additional insured placements go only to well-managed, well-capitalized banks. By contrast, FDIC insurance coverage applies automatically to all insured banks, regardless of condition. That is why reciprocal deposits and FHLB collateral are not only market-based tools but also self-policing ones. The tools deployed by community banks reinforce prudence rather than encourage risk. These tools are not a defense mechanism. When used correctly, they deepen the relationship between a bank and its customers rather than commoditize it.

Taken together, these tools — collateralized securities, FHLB letters of credit, and reciprocal deposits — provide full coverage for depositors who need it while maintaining safety, liquidity, and fairness. They are proof that the system already works. Expanding deposit insurance is not necessary when disciplined banks can achieve the same outcome through sound management and transparent market mechanisms.

Why Dramatically Expanding Deposit Insurance Is the Wrong Approach

Proposals to dramatically increase coverage on business or noninterest-bearing accounts may sound helpful, but they would create more problems than they solve.

Community banks are not losing deposits. The flight in 2023 came from institutions that failed to diversify, manage duration, or communicate with their clients. Expanding coverage forty-fold for accounts already protectable through existing tools adds risk without solving a real problem.

Unlimited or expanded coverage would remove the incentive for both depositors and banks to manage risk. If every dollar is guaranteed, due diligence is not necessary and no one has to ask questions - that is how complacency turns into crisis.

Dramatic expansion also distorts competition. A handful of large institutions would benefit the most because they hold the bulk of uninsured deposits. Many of those banks already enjoy implicit guarantees as “too big to fail” because of the SVB episode. Further expanding insurance would make that implicit guarantee permanent while raising costs on smaller, better-managed banks that did nothing wrong.

Claims that higher coverage helps small businesses are misleading. A company keeping \$10 million in a payroll account would have an annualized payroll around \$240 million, roughly four thousand employees at \$60,000 each. That is not a small business. The true small businesses in towns like mine already have full coverage through existing limits and reciprocal networks.

The proposed expansion would further tilt the competitive landscape in favor of credit unions, especially the large and acquisition minded. Operating without federal income tax obligations and under a lighter regulatory framework, credit unions have expanded far beyond their original mission of serving members with a common bond. Many now pursue commercial and business accounts outside their historic purpose and regulatory competencies. Extending additional

deposit insurance would encourage further expansion into these markets and accelerate the taxpayer-subsidized acquisition of community banks.

The Real Cost and the Moral Hazard

Less than two hundred banks in this country hold more than \$10 billion in assets while more than 4,200 community banks fall below that threshold. These smaller institutions are the banks that keep communities, small and large, alive with diverse small businesses funded by local deposits. These small banks will be the ones most affected when the bill for expanded insurance comes due, especially those of that plan to be here well beyond any transition period. Any evaluation of expanded coverage must answer: what does the data show, what would it cost, who will benefit most, what are the unintended consequences, and who would actually bear that cost. Treasury's analysis will be essential as Congress evaluates coverage models, and I appreciate the Department's focus on transparency and data quality in this work.

According to the FDIC's second-quarter 2025 data, there are 4,429 insured institutions in the United States. Of these 4,429 banks, 4,268 hold less than \$10 billion in assets. Collectively, those community banks manage just \$3.6 trillion of the nation's \$25 trillion in total banking assets. The remaining 161 larger banks control more than 85% of total industry assets and deposits. Any expansion of deposit insurance would therefore be driven by, and designed to benefit, that small group of larger institutions and further move deposits up the asset-size ladder. Yet, all 4,429 insured banks would share the cost of replenishing the Deposit Insurance Fund after losses. In other words, increased cover at this scale is not simply robbing Peter to pay Paul, but robbing Main Street.

Let's assume that only banks over \$10 billion in assets will bear the cost of this expanded exposure. Using the most conservative estimate of a \$30 billion shortfall, the math is staggering. The 125 banks between \$10 and \$100 billion in assets would each face an average additional assessment of about \$46 million. The sixteen banks between \$100 and \$250 billion in assets would face an average assessment of roughly \$266 million each. The non-GSIB banks above \$250 billion would face an average additional cost of approximately \$780 million each.

No one is talking about this cost because it does not exist. The payment of this exposure is being gamed as much, or even more than, the future gaming that will occur with noninterest-bearing accounts. The plan calls for deferring the cost over a decade and drawing from the DIF surplus in the meantime. In reality, the entire banking system will bear the burden unless large regional banks truly shoulder the full cost of the increased exposure. Small banks are not being excluded from this potential cost; the liability is simply being hidden in the structure of the proposal.

Expanded insurance would also open the door to abuse. The line between interest-bearing and noninterest-bearing deposits is easily manipulated. Banks could offset the lack of interest through rebates, loan discounts, service credits, or inflated yields on other accounts. They could temporarily move balances into noninterest-bearing accounts if certain triggers occur, qualifying for coverage while still compensating depositors through side arrangements.

Every banker knows that once a benefit like this exists, it will be gamed. We have seen this story before with rewards checking and sweep products that stretched regulatory intent to the breaking

point. If the government guarantees \$10 million for noninterest-bearing accounts, many institutions will make sure their highest-value customers qualify, even if it means rewriting product terms to skirt the rules.

Draft proposals like the Least Cost Exception Act reflect a growing recognition that resolutions must avoid defaulting to the largest institutions when viable community bank bids exist.

This expansion would create exactly the moral hazard deposit insurance was designed to prevent. It would allow risky behavior under the cover of government protection and erode the incentive for market discipline.

The lesson of history is clear: when the government guarantees everything, risk migrates to where supervision is weakest, and taxpayers and safe institutions pay the price.

Real Reform, Not Risk Expansion

True reform strengthens what works and fixes what does not. Congress should focus on improving the system, not inflating it. At the same time, the regulatory burden on community banks continues to rise, often without regard to scale or business model. That burden limits our ability to serve the very communities that rely on us most. What community banks need is clarity, proportionality, and rules that reflect how we actually operate, manage and mitigate risk to our depositors, our communities, and the Deposit Insurance Fund.

- **Data-driven deposit insurance reform.** While I would move this toward the bottom of my list, the benefits of Too Big To Fail have extended well beyond the GSIBs as evident in the Silicon Valley Bank debacle. Any proposed increases must be based on data that supports the proposed amount of coverage and account type to be covered.
- **Tailor regulation to scale and risk.** Rules written for trillion-dollar institutions should not apply to single-county banks. Simplify compliance for smaller institutions without compromising safety. Legislation such as H.R. 3380 (the TAILOR Act), H.R. 4437 (the Smart Act), and H.R. 4478 (the TRUST Act), move in this direction by requiring regulators to match supervision and testing to an institution's actual risk profile.
- **Adjust the Community Bank Leverage Ratio.** Reduce the ratio immediately to the legal minimum of 8 percent in place during the COVID-19 relief period, when it proved effective without increasing risk. Consider a further reduction to allow community banks to leverage capital at the same degree as larger institutions. H.R. 5276 (the Community Bank LIFT Act), would refine the CBLR range to a more realistic band and direct regulators to study how to encourage more community banks to opt in.
- **Revisit risk-weighted asset (RWA) definitions, commercial real estate (CRE) concentration guidelines, and the applicability of HVCRE to community banks.** Current standards are being gamed by complex institutions that layer or securitize higher-risk assets to disguise concentrations and inflate risk-based capital ratios. Simpler

community banks report exposures transparently and should not be penalized for accuracy while larger banks engineer portfolios to camouflage risk. CRE concentration guidelines do not account for the quality of bank underwriting and treats all nonowner occupied properties the same. Additionally, HVCRE applications to stable communities without the volatility of massive urban cores should be exempted. H.R. 3379 (the HUMPS ACT), and H.R. 940 (the FAIR Exams Act), both seek to bring more objectivity, clarity, and recourse into supervision and ratings so that community banks are evaluated on what they actually hold rather than on opaque judgments.

- **Eliminate CECL for small banks.** The Current Expected Credit Loss (CECL) model imposes unnecessary complexity and volatility on community banks whose lending portfolios are relationship-based and localized. The standard was designed for large, complex institutions and should not apply to smaller banks.
- **Modernize BSA/AML oversight.** Lighten reporting requirements for low-risk community banks while increasing thresholds for Currency Transaction Reports to reflect inflation and the modern cash economy. Compliance resources should be concentrated where risk is highest, not spread evenly across every institution regardless of size or exposure.
- **Preserve fair competition.** Ensure that credit unions operating like commercial banks are regulated and taxed accordingly. Level the field so that all institutions serving the same customers play by the same rules.
- **Improve transparency.** Require the FDIC to publish full analyses of any proposed coverage change, including costs, beneficiaries, and risks. Transparency promotes accountability and helps the public understand who truly benefits from policy shifts.
- **Improve the failing institution resolution process.** The resolution of a local bank should not be solely determined by the least cost process. Local deposits are coveted and consideration of community impact in resolutions should be included. Additionally, flexibility should be provided when there are systemic threats that warrant temporary increases in deposit insurance coverage. Congress is already examining how resolution processes can be more transparent and timely. H.R. 1900 (the Bank Failure Prevention Act) would require clear timelines for supervisory approvals so that qualified buyers are not sidelined while institutions wait out the process.

The Role of Trust

At Citizens Bank of Edmond, we hold no brokered funds, almost no public deposits, and just \$5 million in long-term borrowings. During the 2023 panic, we did not need a backstop. We needed a phone and a plan.

Deposit insurance was designed to protect everyday Americans: the teacher, the small business owner, the city employee, and the family saving for college. It was never intended to underwrite every corporate treasury account or wealthy depositor.

Trust cannot be legislated. It is earned one relationship at a time. Community banks earn that trust by knowing their customers, communicating clearly, and managing risk conservatively.

The more the government tries to insure every dollar, the less discipline remains in the system. Stability comes from responsibility, not from blanket guarantees.

Conclusion

Expanding deposit insurance to cover multimillion-dollar accounts is not a fix. With current, stable, proven tools available, it is a shortcut that creates moral hazard, distorts competition, and punishes the institutions that did things right.

Deposit insurance reform should be data-driven, transparent, and focused on reinforcing confidence rather than expanding guarantees that create new risks.

A stronger banking system will come from empowering the banks that know their customers by name and stand beside them when the headlines turn. That is what we did in 2023, and that is what thousands of community bankers do every day across America.

Thank you for allowing me to share our perspective. I look forward to your questions.