Testimony of

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Introduction

Chairman Hill, Ranking Member Waters, and members of the Committee, thank you for the opportunity to testify on behalf of bankers who serve customers, communities, and businesses across the great state of Florida. The Florida Bankers Association is also proudly affiliated with the American Bankers Association and the Independent Community Bankers Association.

America's banking system is a strategic national asset and a foundation of our free-enterprise economy. Its strength lies in its diversity: banks of every size and charter—from community institutions that know local borrowers by name, to regional banks that finance growing companies, to large banks that connect American businesses to national and global markets—serve different customers and communities, compete, innovate, safeguard deposits, move payments, and turn savings into the credit that creates jobs and opportunity. Yet years of accumulating, duplicative, and frequently one-size-fits-all regulation have placed that diversity under tremendous strain. The burden falls especially hard on smaller banks because compliance costs do not shrink in proportion with the size of the institution – quite the contrary. Every dollar and person the bank must divert to check-the-box paperwork, overlapping examinations, and uncertain supervisory demands is not available for lending, technology, fraud prevention, and customer service. When regulation crushes the capacity of a community bank, America loses more than a charter—it loses local knowledge, local decision-making, competition, and a vital engine of economic growth.

Over the past 18 months, Congress and the Administration have begun an important course correction: preserving strong safeguards while making financial services regulation and supervision more proportionate, transparent, coordinated, and focused on material financial risk and violations of law that result in harm to consumers. That effort is helping to provide the certainty banks need to lend, hire, invest in technology, and plan for the future. The goal is smarter regulation—clear, modern rules, consistent examinations, timely decisions, and requirements calibrated to an institution's size, complexity, and business model. Smart regulation is not an end in itself, but a major driver that promotes growth, opportunity and prosperity for the American people.

Key Principles and Results

This focus on making community banking great again is producing tangible results. Three principles stand out. First, supervision should concentrate on material financial risks and violations of law rather than policy preferences or check-the-box exercises. Second, regulation should be tailored so a well-managed community bank is not treated like a complex global institution. Third, agencies should coordinate, speak clearly, and act on predictable timelines.

Congress has reinforced those principles through bipartisan legislation. The 21st Century ROAD to Housing Act became law on July 11, 2026. In addition to housing-supply reforms, it directs attention to practical community-bank issues, including streamlining de novo applications, improving coordination, and addressing custodial and reciprocal deposits, among other provisions that reflect a broader recognition that statutory definitions and thresholds must keep pace with today's economy.

I thank the Chairman and Ranking Member for their leadership on ROAD to Housing and its community-banking provisions, and the Chairman and other committee members for the great work on the bipartisan Main Street Capital Access bill. Seeing that bill become law would also make a measurable difference in modernizing regulatory requirements and reducing unnecessary burdens that just take time away from better serving customers.

Regulatory Reform, Efficiency, and Coordination

The prudential regulators deserve credit for renewed attention to efficiency and interagency coordination. The Administration's regulatory policy has put agencies on notice that new requirements must be justified and that the stock of existing rules must be examined, not merely added to. The cumulative effect of the regulatory tsunami that has flooded banks has been greater than the burden of any single rule: reporting, reconciling duplicative but differing standards, and managing constant examination preparation all draw from the same limited pool of people and resources. When banks need to maintain more compliance personnel than lenders, the business is out of whack.

Recent agency actions show what better coordination looks like. The FDIC and OCC have finalized rules focusing supervision on material financial risks and removing reputation risk as a basis for supervisory criticism, and the Federal Reserve reflected changes in its Statement of Supervisory Operating Principles. In April 2026, the banking agencies jointly replaced 15-year-old model-risk guidance with principles that expressly recognize differences in size, complexity, risk profile, and model use—and clarify that the guidance does not establish enforceable requirements. These steps improve certainty because bankers and examiners can return their focus to statutory standards and actual risk.

Modernizing Bank Regulation

Modernization requires rules that reflect how banks actually operate and serve customers. Congressional work on custodial and reciprocal deposits is important because outdated brokered-deposit treatment can mischaracterize stable relationships and unnecessarily raise funding costs. The FDIC's August 2026 interim final rule on reciprocal deposits is a timely implementation step. Clear treatment allows well-capitalized banks to manage liquidity prudently without uncertainty over whether ordinary deposit arrangements will trigger a punitive label.

Capital reform is another example. The agencies' 2026 revisions to the optional community bank leverage ratio simplify capital calculations and streamline reporting for qualifying institutions while maintaining a strong measure of capital adequacy. The OCC estimates that 95 percent of community banks could be eligible and that the changes may free approximately $64 billion to support Main Street lending. A simpler framework makes expectations easier to understand, administer, and supervise.

Indexing and Raising Regulatory Thresholds

Many regulatory thresholds have been fixed in nominal terms for decades, despite technology evolution, inflation, and economic growth. Such figures must be periodically updated to recognize changes in the banking sector. The FDIC's Part 363 final rule implemented on January 1, 2026, which justified and indexed a number of community bank thresholds, is significant. The agencies are also incorporating indexing as part of the normal course of other proposals, such as the Basel III re-proposal, the assessments proposal, and the resolution proposal. ROAD to Housing also expanded examination-cycle relief for eligible institutions up to $6 billion in assets.

These reforms give healthy banks room to grow without crossing an arbitrary line that abruptly changes compliance obligations. Congress should establish a consistent presumption that regulatory thresholds be periodically indexed, subject to safety-and-soundness safeguards.

Bankers have been encouraged by the regulators' open invitation to raise issues that are unnecessarily affecting the bank's ability to operate effectively and efficiently. For example, the Federal Reserve and the FDIC issued joint proposed rules in July and August 2026 to modernize Regulation O, marking the first comprehensive update to bank insider lending limits since 1979. Similarly, the OCC and FDIC's Community Reinvestment Act (CRA) proposal, which considers raising the asset size thresholds defining "small" and "intermediate" banks would reduce burden and appropriately tailor CRA evaluations. Community banks have been significantly hampered by the compliance burden to track these arbitrary and outdated regulatory thresholds.

The CFPB has also sought to right-size regulatory requirements with the most meaningful being the revised final rule implementing the small business lending data collection requirements under Section 1071. The rule notably sets a covered financial institution as one with 1,000 covered transactions; recalibrates the gross annual revenue threshold for a "small business" to $1 million or less; and removes discretionary data points, among other improvements.

BSA/AML Modernization

BSA/AML compliance must generate useful information for law enforcement rather than volume for its own sake. The October 2025 interagency SAR frequently asked questions clarified, among other matters, that activity merely near the $10,000 currency-transaction-report threshold does not by itself require a suspicious activity report. The OCC also tailored community-bank BSA/AML examination procedures and discontinued a separate money-laundering-risk data collection. These are constructive steps toward directing resources to genuinely suspicious activity.

Congress should continue modernizing CTR and SAR thresholds, coupled with periodic indexing and data-driven review. Current nominal thresholds encourage overreporting and consume investigative and compliance resources without necessarily increasing the value of the database. Any adjustment should preserve targeted tools for elevated-risk circumstances, but the baseline system should reward quality, context, and prioritization.

Risk-Based Supervision

The broader supervisory shift is equally important, starting with establishing standards by regulation. Just last week, the FDIC and OCC issued their joint final rulemaking defining an "unsafe or unsound practice" and a "matter requiring attention" (MRA). Agencies have also been focused on closing out old supervisory recommendations, doubling down on remediation of material financial risks, and updating Federal Financial Institutions Examination Council (FFIEC) guidance, examination manuals and training to reflect this important focus. Further, the FFIEC issued a proposal to revise the CAMELS rating system. Effective January 1, 2026, the OCC eliminated mandatory examination activities imposed solely by policy for community banks, including predefined activities related to CRA, fair lending, derivatives, and trading. Examiners may tailor scope and frequency to the bank's size, complexity, and risk profile, relying more on existing reports and ongoing monitoring. The OCC also introduced greater discretion in scheduling CRA examinations. This approach allows supervision to remain rigorous while reducing repetitive work that adds little insight. The CFPB has also issued policy statements that recognize its responsibility to supervise institutions for compliance with federal consumer financial laws while focusing on conciliation, correction, and remediation of consumer harm.

Encouraging De Novo Bank Formation

A dynamic banking system needs new entrants. New local banks add leadership, capital, competition, and specialized knowledge. They also create succession options in communities that might otherwise lose a locally headquartered institution. Florida is again leading the Nation in de novo bank formation, but major and unnecessary hurdles remain in law, regulation, and process.

The ROAD to Housing Act includes provisions to improve the process. It directs the federal banking agencies to streamline applications, coordinate federal and state reviews, pilot a two-year phase-in for capital requirements, and provide flexibility for business plan changes. These provisions respond directly to organizers who must raise capital, recruit executives, contract with vendors, and build compliance systems before knowing whether an application will be approved.

The FDIC's August 2026 two-phase process is a major improvement. Qualified applicants can receive contingent authorization within 120 days, followed by up to 12 months to complete capital raising, staffing, contracts, policies, and other organizational work. The FDIC will coordinate with chartering authorities and generally permit concurrent filings. This gives organizers an early, meaningful regulatory signal before they commit the full cost of opening a bank.

The OCC likewise aligned its review objective with a 120-day standard and simplified licensing for community banks by broadening access to expedited or reduced filing procedures. The results are visible in the pipeline: the FDIC's public record shows multiple approvals and openings during 2025 and 2026, including institutions in Florida and across the country. Predictable procedures do not guarantee approval; they guarantee a fair process and timely answer.

While agencies have taken steps outlined above, more will be done now that ROAD to Housing is law. Agencies can further align and streamline their review processes so that charter, deposit insurance, and holding company or membership applications can be filed and evaluated in a coordinated manner rather than through the current sequential structure that adds delay and redundancy.

Openness to Responsible Innovation

Innovation is essential to meeting customer expectations, lowering costs, strengthening fraud controls, and competing in a diverse marketplace. Recent actions provide clearer pathways. In December 2025, the Federal Reserve replaced a restrictive policy statement with one intended to facilitate responsible innovation at Board-supervised banks. In March 2026, the banking agencies clarified that an eligible tokenized security generally receives the same capital treatment as its non-tokenized form. That technology-neutral approach gives banks certainty that the ledger used does not, by itself, change the capital rule.

The April 2026 interagency model-risk guidance also matters for innovation, including artificial intelligence. It expressly rejects a one-size-fits-all process and recognizes that governance should vary with a model's use and risk. Community banks should not be required to build large-bank validation infrastructures for limited, low-risk tools. Clear expectations will help banks deploy technology for fraud detection, underwriting support, customer service, and operational efficiency while maintaining human accountability and sound controls. I look forward to continued engagement with the agencies as they develop tailored guidance for emerging forms of artificial intelligence, such as generative and agentic AI.

The GENIUS Act framework and implementing work on payment stablecoins further demonstrate that Congress and the agencies can establish guardrails without closing the banking system to new technology. Banks of all sizes need workable access—directly or through trusted providers—so innovation does not solely come from outside the regulated perimeter.

Affordable Housing

Affordable housing is an issue across the country and in Florida. The causes are multi-faceted, but the fact of the matter is that many community banks are not involved in mortgage lending and servicing due to the regulatory burden imposed since the financial crisis. In March 2026, the Administration issued an executive order directing regulators to reexamine the post-crisis mortgage origination and servicing rules to reduce burden, encourage market participation and improve credit availability and affordability. Congress also recognized the need to act and included community banking provisions in the ROAD To Housing Act, modernizing regulations for manufactured and modular housing lending, and requiring a small-dollar mortgage pilot in addition to the many provisions that address supply issues.

Conclusion

Smart regulation makes sense and is having a significant impact on our Nation's economic well-being. Over the last 18 months, Congress and the Administration have made meaningful progress. The task now is to make those gains consistent and durable. When a well-run bank knows the standard, receives a timely answer, and can rely on regulators to apply the same rule tomorrow, it can put more capital and talent to work for its community. That is how we preserve safety and soundness, strengthen competition, and make community banking great again. Thank you. I look forward to your questions.