

ENHANCING COMPETITION: SHAPING THE FUTURE OF BANK MERGERS AND DE NOVO FORMATION

HEARING BEFORE THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED NINETEENTH CONGRESS FIRST SESSION

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C O N T E N T S

WEDNESDAY, MAY 14, 2025

OPENING STATEMENTS

	Page
Hon. Andy Barr, Chairman of the Subcommittee on Financial Institutions, a U.S. Representative from Kentucky	1
Hon. Bill Foster, Ranking Member of the Subcommittee on Financial Institutions, a U.S. Representative from Illinois	3

STATEMENTS

Hon. French Hill, Chairman of the Committee on Financial Services, a U.S. Representative from Arkansas	4
Hon. Maxine Waters, Ranking Member of the Committee on Financial Services, a U.S. Representative from California	4

WITNESSES

Mr. Keith Costello, President and CEO, Locality Bank	5
Prepared statement	7
Ms. Mary Usategui, President and CEO, BankMiami	13
Prepared statement	15
Ms. Amanda K. Allexon, Partner, Simpson Thacher & Barlett LLP	22
Prepared statement	24
Mr. John Berlau, Senior Fellow and Director of Finance Policy, Competitive Enterprise Institute (CEI)	34
Prepared statement	36
Mrs. ReShonda Young, Founder, Jabez, Inc.	42
Prepared statement	44

APPENDIX

RESPONSES TO QUESTIONS FOR THE RECORD

Written responses to questions for the record from Representative Maxine Waters	
Mr. Keith Costello	72
Ms. Mary Usategui	73
Mr. John Berlau	74

LEGISLATION

H.R. —, the Bank Failure Prevention Act of 2025	75
H.J.Res. 92, Providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Office of the Comptroller of the Currency of the Department of the Treasury relating to the review of applications under the Bank Merger Act	84
H.R. —, the Financial Institution Regulatory Tailoring Enhancement Act	86
H.R. —, the Stress Testing Accountability and Transparency Act	88
H.R. —, the Bringing the Discount Window into the 21st Century Act	91
H.R. —, a bill to require the Comptroller of the Currency to study how bank-fintech partnerships can support new bank formation	98

IV

	Page
H.R. —, a bill to require the Federal prudential regulators to study improving the growth, capital adequacy, and profitability of rural depository institutions	100
H.R. —, a bill to require annual reports on Federal depository institution charter applications, bank holding company applications, Federal deposit insurance applications, and State depository institution charter applications	102
H.R. —, a bill to require the Comptroller General of the United States to study the consideration of insured depository institution merger applications by Federal prudential regulators to ensure they align with statutory requirements and are not in any way influenced by political issues or considerations	106
H.R. —, a bill to require the Inspector General of each Federal prudential regulator to carry out a review of every 3 years of the regulator's handling of insured depository institution merger applications	109

ENHANCING COMPETITION: SHAPING THE FUTURE OF BANK MERGERS AND DE NOVO FORMATION

Wednesday, May 14, 2025

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:15 p.m., in room 2128, Rayburn House Office Building, Hon. Andy Barr [chairman of the subcommittee] presiding.

Present: Representatives Barr, Huizenga, Williams of Texas, Rose, Timmons, Norman, Meuser, Kim, Fitzgerald, Flood, De La Cruz, Moore, Foster, Waters, Velázquez, Sherman, Green, Vargas, Casten, Lynch, Beatty, and Fields.

Chairman BARR. The committee will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

This hearing is titled, “Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation.”

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the chair for inclusion in the record.

I now recognize myself for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. ANDY BARR, CHAIRMAN OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM KENTUCKY

First, let me thank our witnesses for joining us today and lending their expertise to such an important discussion. This subcommittee is focused on how we in Congress can strengthen competition and encourage innovation in the banking sector, particularly by improving the bank merger process and creating a regulatory environment that supports the formation of new banks. Despite what my colleagues on the other side of the aisle like to attest, mergers and acquisitions are not inherently bad. In fact, they are an essential part of a dynamic and evolving financial system. They allow community and regional banks to grow into new markets, reach more customers, diversify their services, and achieve economies of scale, all of which can translate into lower costs and better access to banking services for families and small businesses across the country.

In reality, mergers are pro-competition, something that all capitalists in this room should promote, but today, the merger process is broken. The current system for reviewing bank mergers is too slow, too uncertain, and too costly. Delays and unpredictable agency reviews discourage applications, drain bank resources, and lead to employee attrition, all while deterring the kind of strategic consolidation that could benefit consumers. That is why I have introduced the Bank Failure Prevention Act, a bill to bring more certainty and efficiency to the merger review process. This bill would put a shot clock on merger applications—this is a term that we like in basketball in Kentucky—requiring Federal banking agencies to complete their merger reviews within a specific timeframe, which will provide clarity to applicant banks and reduce unnecessary, costly delays.

I have also introduced a Congressional Review Act resolution to overturn the political and harmful merger rule issued under the prior administration, a rule that has thankfully been rescinded by acting comptroller, Rodney Hood. We must prevent future leadership from reinstating those misguided policies, and I intend to see that resolution through. This Congressional Review Act (CRA) has passed the Senate, and I urge House leadership to bring it to the floor for a vote.

On a separate front, I remain deeply concerned about the decline in de novo bank formation, which has all but dried up since Dodd-Frank. In the past 10 years, only 60 new banks have been chartered in this country. That is not a sign of stability. It is a sign of stagnation. That is why I have introduced the Promoting New Bank Formation Act, which recently passed this committee with bipartisan support. This bill would give new banks the breathing room they need by phasing in capital requirements and lowering the community bank leverage ratio in their early years. We need to remove barriers, not build them higher, if we want to revitalize community banking. As consolidation occurs in the midsize and regional banking segment of the market, we need to backfill that with more de novo charters to preserve the diversity and heterogeneity of the banking sector because the truth is this: a banking system with no new entrants and stifled growth is not safe. It is fragile.

The last decade has proven that excessive regulation is choking innovation, driving consolidation, and leaving too many communities without access to basic banking services. We need a course correction. Today's hearing is an important step in that direction, and it is a step in terms of preserving a dynamic banking system where healthy mergers, healthy consolidation, can occur to provide better services and more competition to the big, largest too-big-to-fail banks, and also provide those new entrants and that dynamism so that we preserve those relationship lenders and the new business formation, the entrepreneurship, on main street, USA. I look forward to hearing from our panel and engaging in a thoughtful discussion, and with that, I yield back.

The chair now recognizes the ranking member of the subcommittee, Dr. Foster, for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. BILL FOSTER, RANKING MEMBER OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM ILLINOIS

Mr. FOSTER. Thank you, Chairman Barr, and to our witnesses. Since the 1980s, there has been a steady consolidation within the U.S. banking system. Mergers of community banks, a drought of de novo bank formation, and the low-interest rate environment of the early 2000s contributed to a reduction in the total number of commercial banks from around 14,000 in the 1980s to around 4,500 today. When I was a business owner starting and growing my small business, I saw the value of having a diverse banking system with a wide distribution of institutions by size firsthand. Having multiple banks in the community strengthened the negotiating power of our small businesses and the many others in our area by forcing financial institutions to compete with one another for our business.

Strong competition in the banking system has been shown to lead to better terms, better interest rates, and services for American communities. I do not think there is a single member of this committee that does not believe that we should use our positions here to support small community banks and credit unions. To do so, we should enact policies that support those institutions, as well as the community development financial institutions and minority depository institutions that step in to fill the gaps left by other firms. Today, these institutions also face unprecedented economic and regulatory uncertainty brought on by the Trump Administration's new policies.

The President has doubled down on the market-wrenching tariff policies from his first term that directly impact the farmers and the rural communities that many members, including myself, represent, as well as paralyzed manufacturers and small businesses who work with our community banks. Examiners of these institutions are being laid off in the name of efficiency when staff shortages at the prudential regulators have been cited by the inspector generals as an area of concern. We see a move to cutoff funding for the Community Development Financial Institutions (CDFI) Fund, which has provided more than \$12 billion of support access to support access to credit in unbanked and underbanked communities. Meanwhile, the Consumer Financial Protection Bureau has effectively been shut down, meaning that small community banks are being supervised for compliance with consumer protection laws, while the biggest banks have no oversight at all in this area.

It is easy to say deregulation is the solution to the challenges that community banks and credit unions face, but that sentiment ignores other reforms that would provide benefits to community banks without risking their safety and soundness. One area that is ripe for reform is deposit insurance. Following the collapse of Silicon Valley Bank, there was a flight of nearly \$120 billion of deposits from community banks and two large banks that were seen as too big to fail. Reforms to the discount window, restoration of National Credit Union Association's (NCUA's) emergency Central Liquidity Fund authorities, and efforts to address the high cost of technology for small banks and credit unions are other areas that I feel we could find bipartisan solutions for. We have an experi-

enced panel before us that has firsthand experience with the merger and de novo processes, and I look forward to your testimony today. Thank you, Chairman. I yield back.

Chairman BARR. The gentleman yields back. The chair now recognizes the chairman of the full committee, Mr. Hill, for 1 minute.

STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS

Mr. HILL. Thank you, Chairman Barr. Today's hearing will continue advancing our Making Community Banking Great Again set of proposals. Our financial institutions need consistent and timely guidance during the bank merger review process. They need the tools at their disposal to make informed decisions about pursuing or withdrawing applications without wasting time and money navigating changing and opaque standards. We must reform the regulatory framework in a way that encourages new bank entrants to enter the market. We can accomplish this by lowering unnecessary barriers, modernizing capital and compliance expectations, and restoring a pipeline for community financial institutions that fuel our economic growth. Legacy rules from Dodd-Frank and recent regulatory trends have discouraged market entry, reduced banking access, and favored consolidation over competition. This is all at the expense of consumers, particularly consumer choice and those in rural and underserved areas. I appreciate Chairman Barr's leadership, and I look forward to our panel discussion. I yield back.

Chairman BARR. The gentleman yields. The chair now recognizes the ranking member of the full committee, Ms. Waters, for 1 minute.

STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM CALIFORNIA

Ms. WATERS. Thank you very much, Mr. Chairman. Good afternoon, everyone. Republicans want faster bank mergers, which will wipe out community banks and credit unions and leave just a few megabanks to serve our constituents. Trump's regulators just rubber-stamped the Capital One and Discover merger, which will lead to more consumer harm. Democrats support the formation of new or de novo banks, and I am pleased Mrs. Young is testifying. Mrs. Young bravely responded to lending discrimination by suing the Consumer Financial Protection Bureau, I do believe, and so I would just like to say that I am very pleased that Mrs. Young is here today. I have been paying attention to what the gentleman, the chairman, has been trying to do, but because this protection bureau, the Consumer Financial Protection Bureau (CFPB), was basically challenged by Mrs. Young, we are finding—

Chairman BARR. The gentlelady's time has expired. The gentlelady's time has expired.

Ms. WATERS. Thank you very much. I will listen, and I look forward to hearing from the witnesses today.

Chairman BARR. Today, we welcome the testimony of Mr. Keith Costello, President and CEO of Locality Bank; Ms. Mary Usategui, President and CEO of BankMiami; Ms. Amanda Allexon, Partner

of Simpson Thatcher & Bartlett LLP; Mr. John Berlau, Senior Fellow and Director of Finance Policy, Competitive Enterprise Institute; and Mrs. ReShonda Young, Founder of Jabez, Inc. We thank you for taking the time to be here. You each will be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, your written statements will be made part of the record.

Mr. Costello, you are now recognized for 5 minutes.

**STATEMENT OF KEITH COSTELLO, PRESIDENT AND CEO,
LOCALITY BANK**

Mr. COSTELLO. Chairman Barr, Ranking Member Foster, members of the committee, thank you for the opportunity to speak with you today. I am honored to share my perspective on the value that de novo banks bring to our economy and our communities.

I spent nearly 40 years in banking, and I am currently the Chairman, President, and CEO of Locality Bank. We launched it in Fort Lauderdale, Florida in 2022, recently exiting de novo. It was the first new bank opened in South Florida since 2009, when I also Co-Founded Broward Bank of Commerce. What drove me to start both banks was simple. I was inspired by entrepreneurial bankers who had the courage to leave safe, comfortable corporate roles to build something local, meaningful, and community focused. I saw firsthand how much more responsive and impactful a bank can be when headquartered in the community it serves, not just a branch of a larger, out-of-market institution. Community banks are small businesses that serve other small businesses. Starting and running one gives you a deep appreciation for the challenges entrepreneurs face daily, something that cannot be replicated by working in a large corporate financial institution.

So, why are there not more de novo banks? The answer is largely economic. Starting a new bank today is not financially viable for most entrepreneurs or investors, and the return on investment is not competitive with other options. Since the Dodd-Frank Act, regulatory burden has increased dramatically. Capital requirements are higher, approval timelines longer, compliance costs are steep, and these burdens fall hardest on the very banks, community banks, that did not cause the financial crisis. As a result, we have seen lending shifts outside of heavily regulated banks to financial technologys (fintechs), private money lenders, and merchant cash advance firms. These players do not offer the relationship-based, community-focused service that small businesses need.

My motivation to launch Locality Bank was reinforced during the pandemic when I was on the sidelines due to a noncompete. I received call after call from local business owners who could not access Paycheck Protection Program (PPP) loans or even get a call back from their bank. That was a wake-up call. I began to look for reasons by studying the local banking market. In 2015, there were 11 banks headquartered in Broward County. By 2020, there were only three. Community bank assets had dropped from \$11 billion to just 600 million. The same thing had happened in many other communities across the country. We responded by raising \$38 million from local citizens and business owners to launch Locality Bank. In 3 years, we have grown to \$300 million in assets, but it was not easy. Our capital requirement was double what it was to

open a similar bank 13 years earlier, and because of regulatory costs, we cannot profitably offer consumer banking or residential mortgages, services that should be part of a full service community bank.

H.R. 478, the Promoting New Bank Formation Act, would alleviate the capital and regulatory obstacles I have identified. I thank Chairman Barr for introducing this bill and the committee for passing it. H.R. 478 proposes curing capital requirements for de novo banks, addressing the very real challenges I laid out in raising capital. It proposes a more reasoned approach by regulators in responding to changing business plans, giving the many appropriate reasons a bank would need to deviate from the plan.

In closing, if we want more de novo banks and all the community value that they bring, we must make the economics viable. Let's unleash the power of free enterprise, the same force that built this country. If that happens, we will not need congressional hearings to discuss why new banks are not forming. They will already be open for business. Thank you for your time and your leadership, and I look forward to your questions.

[Prepared statement of Mr. Costello follows:]

Testimony of

Keith Costello

Chairman, President, CEO, and Co-Founder

Locality Bank

Fort Lauderdale, Florida

Before the

U.S. House of Representatives

Committee on Financial Services

Subcommittee on Financial Institutions

Hearing on

“Enhancing Competition: Shaping the Future of
Bank Mergers and De Novo Formation”

May 14, 2025

Washington, D.C.

Introduction

Chairman Barr, Ranking Member Foster, distinguished Members of the Committee, I am honored to testify before you today about the value de novo banks bring to our economy and communities. In my nearly 40-year banking career, I had the good fortune of seeing my mentors in banking do well by doing good. That is what drove me to start two de novo banks, and I wish I had started sooner. At the same time, the barriers are higher than they need to be, and addressing unnecessary regulatory hurdles could make a significant difference in enhancing healthy competition.

I am the Chairman, President, Chief Executive Officer (CEO), and co-founder of Locality Bank, a community bank which opened in Fort Lauderdale, Florida, in 2022. It was the first new bank opened in South Florida since 2009. And I am incredibly proud to note that we successfully exited de novo status earlier this year.

That last Fort Lauderdale bank opened in 2009 was Broward Bank of Commerce, where I served as President, CEO, and an organizing director. These two de novo experiences took place in very different economic times and regulatory environments. Yet the mission of serving our communities and the needs of our customers is a common thread.

Differences between 2009 and 2022

My inspiration to start Locality Bank stemmed from missing out on one of the most heroic efforts in community banking history – implementation of the Paycheck Protection Program (PPP) during the pandemic. I had just sold a bank in Orlando and, pursuant to a non-compete, I was on the sidelines. During that time, I got a lot of phone calls from local business people in Fort Lauderdale who had been customers in the past, and they were frustrated with their access to PPP and the service level they were getting from their financial institutions. It took me back to the formation of Broward Bank of Commerce, and I began looking at the market.

In 2015, 11 banks were headquartered in Broward County. By 2020, there were only three. The assets in those community banks had dropped from \$11 billion to about \$600 million. Given that reality, I began approaching business groups in the community to assess interest in investing in a de novo bank. While not unanimous, we got an overwhelming response. We raised \$38 million from local businesses to launch Locality Bank. In three years, we have grown to \$300 million in assets.

Raising capital is one of the hardest things for new businesses, particularly for those who are doing it for the first time. With Locality Bank, it was easier than in 2008, because we had a proven track record and knew what needed to be done. At the same time, the capital requirement was two times what it had been just 13 years earlier in the same market. To launch Broward Bank of Commerce, we managed to scrape together \$12.5 million before the regulators closed the door on de novo approvals in 2009.

The other significant challenge stems from the costs of starting a bank. It was hard enough in 2008 to resign from my job, raise money, and support my family for the 18 months it took to get the bank open. By 2022, the regulatory environment had changed substantially for all banks. So, our business had to be different due to the high regulatory compliance costs. We could not be profitable in consumer lending or residential mortgage lending.

For a de novo bank, all of these decisions are codified in the business plan we submit to the regulators for our charter application. That business plan has to endure from submission to the regulators through opening to three years of operations. Any deviation from that plan creates significant work because regulators perceive a change as all risk rather than the strength of an adaptable, resilient team responding to market conditions and feedback.

Investors expect a return on their investment – rightfully so – but today there is fierce competition for that capital. Investing in a bank basically means ten years of an illiquid investment. With other options for better, faster returns, it is hard for banks to compete. It is hard for bankers to be entrepreneurial and even harder for younger bankers who are doing it for the first time. I truly commend Mary Usategui of BankMiami for taking on this challenge and will

do everything I can to encourage others who are interested. We have to get back to a more economical model that recognizes banks need to make money for their investors – that is what enables them to be in business to serve their customers.

The competitive dynamics are also different than they were 13 years ago. At Locality, we are heavily focused on small business lending. Without community banks in Broward County, many of the businesses were going to fintechs, merchant cash advance lenders, and various other private lending sources that are higher cost, less relationship based and have different regulatory requirements. They did not realize what a bank can do for them compared to other types of lenders. In some respects, we have to look at how that happened in the marketplace as banks becoming complacent and not adapting fast enough to changing technology and customer expectations. In other respects, the risk-elimination regulatory landscape has created an overwhelming pressure to stick to the status quo. We need a more balanced and tailored approach from regulators and policymakers that recognizes community banks are not causing systemic risk. In fact, the systemic risk is created by the lack of community banks providing that local, catered service to our small businesses which are the engine of the U.S. economy.

Encouraging De Novo Formation

Ensuring there is still a place for entrepreneurial community banks serving their local markets is a true passion for me. I chair task forces at both the Florida Bankers Association and the Independent Community Bankers Association on de novos. I am also a member of the American Bankers Association.

That is why I wholeheartedly support the efforts of this Committee to ease the process for forming de novo banks and ensuring a robust, competitive marketplace for banking services. I know from my work with bankers across the Nation that banking services in rural parts of the country are a true concern. Yet, as a community banker in urban, populated South Florida, I can attest to the needs in our markets as well.

I support enactment of H.R. 478. The bill proposes tiering capital requirements for de novo banks, addressing the very real challenges I laid out in raising capital. It proposes a more reasoned approach by regulators in responding to changing business plans given the many appropriate reasons a bank would need to deviate from the plan.

While I did not take the path that many other Florida de novo banks have taken in going with an S-corp structure, I also support Chairman Hill's bill, the S-Cap Act (H.R. 2777), to increase the shareholder cap from 100 to 250 for S corporations. Legislation to allow Individual Retirement Accounts (IRAs) to invest in S-corp bank shares, which has been introduced in past Congresses, would also open a critical source of capital. Enabling community members to invest in the bank is a path to success, and given the capital requirements, the number of potential investors and sources of capital should be increased.

While my testimony is focused on de novo formation, I have successfully exited banks as a CEO through acquisition. The process by the federal banking regulators of reviewing bank mergers and acquisitions is overly time-consuming and applies too much scrutiny to community bank mergers that do not pose any legitimate threat to competition. Merger transactions are frequently delayed by months or even years by regulatory reviews, which has the net effect of discouraging or preventing transactions that may have positive effects for consumers.

Because of these frequent delays, Congressman Barr's Bank Failure Prevention Act of 2025, which would require the Federal Reserve Board to grant or deny merger applications no later than 90 days after the application was submitted to the Board, is an important step to address the barriers to community bank mergers.

Conclusion

I appreciate the opportunity to appear before this Committee and thank you for your leadership in examining these important issues for the future of our communities, our banking industry, and our Nation's economy. Simply put, in my view, it is about releasing the power of free enterprise, that powerful force that has made our country the greatest in the world. If you can help make de

novo banking more economically viable for entrepreneurial community-minded bankers and local investors, we wouldn't need to hold congressional committee hearings.

Thank you for your time and attention. I look forward to your questions.

Chairman BARR. Chairman Barr. Thank you, Mr. Costello. Ms. Usategui, you are now recognized for 5 minutes.

**STATEMENT OF MARY USATEGUI, PRESIDENT AND CEO,
BANKMIAMI**

Ms. USATEGUI. Chairman Barr, Ranking Member Foster, and distinguished members of the committee, thank you for the opportunity to appear before you today to talk about my experiences as a community banker.

I am the Founder, President, and CEO of BankMiami, a newly formed de novo bank headquartered in Miami, Florida. With over 20 years of banking experience, I have seen and been involved with both de novo formation and been both the acquirer and acquiree in a merger and acquisition deal. I am passionate about the pivotal role bankers play in supporting the needs of our communities and the dreams of our clients. I am sharing my story in the hope that it will pave an easier path for others to do the same in their communities.

BankMiami opened its doors almost 2 months ago on March 17, a formation process that took twice as long as we initially thought it would, with a number of challenges along the way. I will outline a few in a moment to showcase how some small changes can go a long way in de novo bank reform. When we began making the business case for BankMiami, the need for more banking services in our market was clear. From 2008 to 2023, the number of banks headquartered in Miami-Dade dropped from 42 to just 18, even as the population and economy exploded. Florida's population grew nearly 15 percent between 2010 and 2020, and Miami saw billions of new business wages, yet there had not been any de novo banks since 2008.

In addition, Miami is a unique market with both domestic and international influence. Standardized banking does not typically work for much of the county's population, yet the majority of the banks that offered bespoke banking solutions were acquired during that time. It was the result of mass consolidation in our market that led me to realize there was a real opportunity for a community bank that focused on custom-tailored banking solutions. Community banks are the heartbeat of our banking system, and without them, small businesses will be gravely affected. Mergers and acquisitions are healthy for markets, but without new banks forming, communities are left underserved. There are many different barriers of entry. However, I think the biggest challenge is raising capital for a de novo bank under the current rules.

We had to raise over \$32 million to receive our charter. We hit about 75 percent of our goal rather quickly, then took about another 6 months to finalize and complete our raise. Only after we cleared the minimum threshold did many new potential investors come forward, and even more so since we opened our doors. That is why a capital phase-in period, as proposed in Chairman Barr's bill, would be an excellent solution for banks that have the clear need in the community, yet may need more time to finalize their capital raise. It would allow banks to open sooner, meet market needs faster, and bring in investors more efficiently.

Another challenge for de novo banks is that we cannot accept capital until the charter application is accepted by our regulators. Since there is no clock on how long regulators have to accept an application, we cannot give potential investors certainty on timing. Many investors who give verbal commitments end up putting their capital to work in other investments due to the wait time, causing de novo banks to have to find additional investors and delaying the capital raise process. Moreover, since founders cannot count on a timeline for acceptance of an application, much less approval, it can be difficult to estimate and manage costs. To apply for the charter, we must fund significant expenses, particularly when it comes to building the right team and have to pay them to sit on the sidelines waiting for approval to begin operating. That goes on for months. This delay causes the initial organizational expense to be significantly higher as each month goes on, requiring more and more capital in the process to offset the higher organizational costs.

I support the efforts of the sponsors in this committee in passing H.R. 478. The bill would provide more regulatory capital and lending flexibility to facilitate de novo bank creation, encourage investment in these banks, and promote their viability. In particular, the provision directing Federal banking agencies to issue rules that provide for a 3-year phase-in of capital standards would lower one of the primary barriers I outlined in my statement, raising capital.

The bill would also allow de novo banks to request permission from the Federal Deposit Insurance Corporation (FDIC) to deviate from the approved business plan. While that has not been a problem for BankMiami yet, it certainly would provide flexibility for us through the 3 years of de novo status that remain ahead. Local economic circumstances change, and we must have the ability to adapt so that we can succeed. Today, there are 4,487 banks in the United States, nearly 50 percent lower than that in 2005. Of the banks active today, only 85 were established after 2010. I am proud to be one of those 85, but there should be more of us.

I am grateful to the committee for your sincere interest in a robust, competitive banking industry that serves our customers and communities. I am hopeful that the necessary reforms will be made by Congress and Federal and State regulators to support that outcome. Thank you for your time and attention, and I look forward to your questions. Thank you.

[Prepared statement of Ms. Usategui follows:]

Testimony of

Mary Usategui

President, CEO, and Founder

BankMiami

Miami, Florida

Before the

U.S. House of Representatives

Committee on Financial Services

Subcommittee on Financial Institutions

Hearing on

“Enhancing Competition: Shaping the Future of
Bank Mergers and De Novo Formation”

May 14, 2025

Washington, D.C.

Introduction

Chairman Barr, Ranking Member Foster, distinguished Members of the Committee, thank you for the opportunity to appear before you today to talk about my experiences as a community banker. With over 20 years of banking experience, I have seen and been involved with both de novo bank formation and mergers & acquisitions (M&A). I am passionate about the pivotal role bankers play in supporting the needs of our communities and the dreams of our clients. I am sharing my story in the hope that it will pave an easier path for others to do the same for their communities.

I am the Founder, President and Chief Executive Officer of BankMiami, a newly formed de novo bank headquartered in Miami, FL, which opened its doors almost two months ago on March 17, 2025. Over the 19 months prior, we developed our three-year business plan; built our team and board of directors; developed our policies for loans, investments, and operations; raised over \$38 million in capital; and ultimately received our charter. The process took almost twice as long as we thought it would, with a number of challenges along the way. Yet, I was confident we had three things that a de novo bank needs to be successful – market demand, interested clientele, and a strong banking team. It is with this recipe for success that I endured the obstacles knowing that if we were able to get our doors open, we would be helping our community.

The Lack of De Novo Banks to Meet Market Needs

When we were making the business case for BankMiami, the need for additional banking services was obvious. From 2008 to 2023, the number of banks headquartered in Miami-Dade County went from 42 to 18. At the same time, the County had grown astronomically with a significant inflow of wealth and population as well as the creation and growth of small businesses. Florida's population grew 14.6 percent between 2010 and 2020, double the overall U.S. growth rate. Florida gained \$39.2 billion in gross adjusted income from migration in 2020. Between 2020 and 2023, the number of applications for new businesses in Florida had doubled. New businesses had brought \$9 billion in wages to Miami, and Miami was #1 for new technology job migration and GenX professional growth.

Moreover, Miami is a very diverse market, being the epicenter of both domestic and international business. In the Miami-Dade market, cookie-cutter banking solutions are not in high demand; but rather banks that really understand small business lending – those business owners with more complicated balance sheets. The niche in our town was for bespoke solutions tailored to the unique needs of our clients. For many years, there were handful of banks offering clients boutique banking services, but due to the high demand for acquisition of profitable banks in the market by larger institutions and by banks that wanted to enter the Miami-Dade market, the majority of those banks were acquired. One of the last remaining concierge style banks to sell in Miami was my former financial institution, Professional Bank. I was fortunate enough to help Professional Bank grow from a de novo bank formed in 2008, to a \$3 billion publicly traded bank before it was acquired by a larger institution in early 2023.

Our economy needs banks of all sizes, and M&A activity is good for markets. What has been missing is de novo bank formation for replenishment and to address the growing needs of those markets. Like Keith Costello with Locality Bank in Fort Lauderdale, BankMiami is the first de novo bank to form in Miami since the financial crisis, over 16 years ago.

Raising Capital

Raising capital is challenging for all new businesses. When it comes to raising capital as a de novo bank, there are added pressures. We had to develop a business plan projecting forward three years from opening, which leads to the requirement to raise eight percent of what those projected assets will be three years from opening. In practical terms, that means we need to be projecting five years into the future. Additionally, you also must show profitability before the end of the three-year period. With the high cost of living in our market, to ensure that we had enough capital to not only cover our expenses but also meet the banking demands of our community, we had to raise a minimum of \$32.5 million before we could obtain our charter. In comparison, in 2008, Professional Bank was only required to raise \$12 million when we received our charter. Additionally, should any assumptions or conditions change, the business plan is nearly impossible to change during the de novo period due to regulatory scrutiny.

The story I have heard from many other bank entrepreneurs was our story too. We raised the majority of what we needed fairly quickly, boosting our confidence in our plan. Then we sat at six percent of capital for six months before we were able to push forward and ultimately finalize our raise. What we have found since opening was a lot more people were willing to invest once the minimum capital was met and an opening date was set, and even more so, once we got our doors opened. We have had multiple requests for investors to place funds in BankMiami, although the window is now closed. This confirms the ability to have a capital ramp up would be very beneficial to de novo banks formation. The eight percent requirement would be more easily achieved by allowing a ramp up period, more so than requiring eight percent before charter issuance.

Some of the challenges mentioned above demonstrate the necessity of the bill proposed by Chairman Barr. The bill (H.R. 478) would allow de novo bank formation in areas that need community banks the most by proposing a capital phase-in period; additionally, the bill would help all de novo banks by providing quicker responses and clearer guidelines for de novo banks requesting deviations from their original business plans.

Number of Investors

Raising the amount of capital that is needed in the current structure often requires adding more investors to the shareholder base. The more investors a business has, the greater the pressure becomes to have a liquidity event, which leads to more M&A activity. If M&A activity continues to outpace de novo bank formation, many communities will be left with no community banks in their markets. Community Banks are the heartbeat of our banking system and without them, small businesses will be gravely affected.

The high capital requirements (leading to more investors) also limit the bank's choices of corporate structure. For instance, BankMiami has over 185 bank investors, an average of over \$200,000 per investor. We were not able to form as an S-Corp under the current rules. While we ultimately formed as a C-Corp, Chairman Hill's bill, the S-Cap Act (H.R. 2777) that increases

the shareholder cap from 100 to 250, would have allowed us to have different avenues of bank formation that were not available to us when we were established.

Managing Expenses and Benching Talent

Another challenge for de novo banks is that we cannot actually accept capital until the charter application is accepted by our regulators. Since there is no clock on that part of the process, we cannot give potential investors certainty in the timing. Many investors who give verbal commitments put their capital to work in other investments due to the wait time and then cannot bring it to bear at the time we need it, causing de novo banks to have to find additional investors and delaying the capital raise process. At BankMiami, we began this process in August 2023, filed our application in December 2023, yet our application was not officially accepted until April 2024 – almost five months after the application was filed.

Moreover, since founders cannot count on a timeline for acceptance of an application much less approval and the steps it takes to get operational, it can be difficult to estimate and manage costs. To apply for the charter, we must front significant expenses particularly when it comes to building the right team. At BankMiami, our gross organizational cost to open was close to \$2 million. Much of that cost was associated with locking in key team members who are essential to our success. At the same time, we have to pay them to sit on the sidelines waiting for approval to begin operating. That goes on for months. This delay, causes the initial organizational expense to be significantly higher as each month goes on, requiring more and more capital in the process to offset the higher organizational costs.

Regulatory and Process Disconnects

Upon receiving our approvals and meeting our minimal capital requirements, we were elated and thought we would be fully operational on day one. However, there turned out to be one snag that we thankfully were able to overcome. We learned that the Federal Reserve no longer reviews applications to establish operational accounts until the charter is officially issued and FDIC insurance is received. This means that despite having a charter and federal deposit insurance,

banks cannot operate independently for weeks awaiting account access, or they need to find a workaround, such as settlement through a correspondent bank. Additionally, unless you get a bank to sponsor your debit card BIN, you also cannot begin to operate with Mastercard / Visa for debit cards directly until a charter is received. We have heard of banks that have taken nine months before they were able to issue debit cards to their clients, thus making it even more challenging to open as a de novo bank. We believe these hurdles can be resolved through industry discussions with Federal Reserve leadership and Mastercard / Visa providers. However, I raise them to demonstrate additional hurdles that could be overcome, including with some coordination among federal agencies.

Support for H.R. 478, the Promoting New Bank Formation Act

I support the efforts of the sponsors and this Committee in passing H.R. 478. The bill would provide more regulatory, capital and lending flexibility to facilitate de novo bank creation, encourage investment in these banks and promote their viability. In particular, the provision directing Federal banking agencies to issue rules that provide for a 3-year phase-in of capital standards would lower one of the primary barriers I outlined in my statement, raising capital. The bill would also allow a de novo bank to request permission from the Federal Deposit Insurance Corporation to deviate from its approved business plan. While that has not been a problem for BankMiami yet, it certainly would provide flexibility for us through the three years of de novo status that remain ahead. Local economic circumstances change, and we must have the ability to adapt so that we can succeed.

Conclusion

Today, there are 4,487 banks in the United States, nearly 50 percent fewer than the 8,833 banks that operated in 2005. Of the banks active today, only 85 were established after 2010. I am proud to be one of those 85, but there should be more of us.

BankMiami is a proud member of the Florida Bankers Association, the American Bankers Association, and the Independent Community Bankers Association. I appreciate their support of de novo banks and in preparing me to appear before you.

I am grateful to this Committee for your sincere interest in a robust, competitive banking industry that serves our customers and communities. I am hopeful that necessary reforms will be made both by Congress and Federal and State regulators to support that outcome. Thank you for your time and attention. I look forward to your questions.

Chairman BARR. Ms. Allexon, you are now recognized for 5 minutes.

STATEMENT OF AMANDA K. ALLEXON, PARTNER, SIMPSON THACHER & BARLETT LLP

Ms. ALLEXON. Chairman Barr, Ranking Member Foster, honorable members of the subcommittee, thank you for having me here today. I appreciate the committee's leadership on this issue and giving me the opportunity to share my thoughts and perspectives as someone who has helped guide parties through the bank applications process—

Chairman BARR. Could you pull your microphone—

Ms. ALLEXON. Yes.

Chairman BARR [continuing]. a little closer? Thank you.

Ms. ALLEXON. Through the bank applications process for over 20 years. I am a Partner at Simpson Thatcher, where I represent banks of all sizes on regulatory matters, including mergers and acquisitions. I am here today in my individual capacity, and my views do not necessarily represent those of my firm or my clients.

My perspective on bank mergers in de novo formations is somewhat unique because of my background. In addition to my years in private practice, I began my career almost 25 years ago today working for Chairman Jim Leach in this very room. I also spent almost 10 years in the legal division of the Federal Reserve reviewing applications, including through the financial crisis. I have submitted a full statement for the record and want to focus these remarks on a couple key topics.

First, the diversity of the business models that we have in our banking system is one of its great strengths. In 2025, customers have more choices than ever with respect to where and how they bank. Another feature of our banking system is that it is in constant transition. Keeping up with this changing environment and maintaining diversity within our market requires continuous streams of new market entrants, as well as the ability for parties to engage in business combinations that enhance their competitive impact. Although many straightforward merger transactions are processed in the normal course within a few months, too many transactions are languishing well beyond the normal processing periods. These delays expose both parties to escalating risk. As someone who has spent material times on both sides of applications processing, I can tell you that there are a few key reasons why applications are delayed. I would opine that most all of these can be readily addressed through thoughtful combination of action by the Federal banking agencies and targeted legislative actions.

A number of otherwise straightforward transactions are held up by outmoded or misused agency procedures. This committee has already correctly identified that flexibility within these procedures renders the statutory and regulatory time periods practically moot. Without any sense of urgency, it is easy for the applications process to drag on or just to simply take a back seat to other, more pressing agency matters. Actions such as the proposed shot clock legislation, automatic agency escalation of applications when they have been pending for a certain period of time, similar to what the FDIC enacted last year, and perhaps set calendars for decisionmakers to

act on applications, could make a material difference in processing times.

Next, the agencies must find ways to ways to expedite the review of public comments. This is one of the biggest culprits for long processing periods. While it is important to consider timely and substantive comments, the receipt of a public comment should not add months to processing or immediately trigger heightened agency actions. Simply adjusting agency rules to allow staff to make decisions with respect to which comments can be handled in the normal course and which deserve more detailed consideration would dramatically reduce processing times.

Third, the Federal banking agencies must work to right size information expectations. Applications have never been lengthier or more detailed. At some point, one has to ask, who is reviewing all of this information? Is this information nice to know or need to know, and against what functional measure is the information evaluated? Lastly, the agency leadership and application staff must take action to avoid duplicating the supervisory process. Routine supervisory matters, whether existing or new, should not be roadblocks to transactions unless those matters directly and materially implicate the proposal or management's ability to safely effectuate the transaction.

The commonsense suggestions that I have discussed here and in my written testimony could help rationalize the applications process and support a more dynamic industry that can better serve the needs of all Americans. I appreciate this opportunity and look forward to any questions?

[Prepared statement of Ms. Allexon follows:]

24

STATEMENT OF
AMANDA K. ALLEXON
BEFORE THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
OF THE HOUSE COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
MAY 14, 2025

Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation

Biography

Amanda K. Allexon is a Partner in Simpson Thacher's Financial Institutions Practice. Based in Washington, D.C., Ms. Allexon advises domestic and foreign banks, bank holding companies, other regulated financial institutions and investors on the full spectrum of transactional, governance, regulatory and supervisory matters. In addition to her private practice experience, Ms. Allexon worked in the Legal Division of the Federal Reserve Board for nearly a decade, including serving as Senior Counsel. During her time at the Federal Reserve, she evaluated merger and acquisition applications subject to review under the Bank Holding Company Act, Home Owners' Loan Act, Bank Merger Act, Change in Bank Control Act and Federal Reserve Act, and other applications and interpretive issues under these statutes. Ms. Allexon was a primary Federal Reserve contact for matters related to extensions of credit by banks to their insiders (Regulation O), regulation of holding companies (Regulation Y and LL), and matters related to the control of depository institutions and holding companies. Ms. Allexon also assisted the transition of savings and loan holding companies to Federal Reserve supervision and rules after the financial crisis, reviewed and established key policies related to control and private equity investments in bank holding companies, and served as a liaison to the U.S. Treasury related to post-crisis investments in banks.

Prior to joining the Legal Division, Ms. Allexon served as a Legislative Assistant to Representative James A. Leach, Chairman of the Banking Committee. Ms. Allexon was responsible for the development, drafting and advocacy of legislative initiatives related to banking, housing and tax.

Chairman Barr, Ranking Member Foster and Honorable Members of the Subcommittee, thank you for having me here today to discuss the bank applications process. My name is Amanda Kueter Allexon and I am a partner at Simpson Thacher & Bartlett LLP, where I represent domestic and foreign banks, bank holding companies, other regulated financial institutions and investors of all sizes on bank regulatory matters, including mergers and acquisitions. I am here today in my individual capacity and my views do not necessarily represent those of Simpson Thacher or any client. My perspective on bank mergers and de novo formations is somewhat unique because of my background. In addition to my years in private practice, I began my career almost 25 years ago as a Legislative Assistant for Chairman James A. Leach with respect to banking matters in this very room. I also spent almost 10 years in the Legal Division of the Board of Governors of the Federal Reserve System, including through the Great Financial Crisis.

The diversity in business models is one of the strengths of the banking system in the United States. In 2025, customers have more choices than ever with respect to where and how they bank. There are large, midsize and community banks, online-only banks and fintechs, credit unions, and nonregulated financial services providers. Customers can have access to financial services through any or all of these options. No other major country has this level of variety in its banking market. If we want to maintain this diversity there must be a reasonable ability for parties to both enter and exit geographic and product markets, as well as engage in business combinations that enhance their competitive impact.

Another feature of our banking system is that it is in constant transition. Although some like to make comparisons, the banking system we have today is simply not the same as it was five years ago, much less 30 years ago, and there is no going back. The banking system we enjoy today will likely look different five years from now as technology continues to evolve and more dynamic customer driven banking products and delivery methods continue to be developed.¹ Keeping up with this changing environment requires a continuous stream of new market entrants, the ability to engage in business combinations that give room for investment and innovation, as well as the ability for organizations to exit the market through a strategic sale if that is the best option.

As we all know, the number of de novo bank formations has decreased to a trickle since the Great Financial Crisis.² There are a number of reasons why we are not seeing healthy de novo formation activity. Based on an underlying assumption that de novo banks present an increased risk of failure,³ the regulatory expectations for de novos have increased dramatically across the board to the point where applicants must somehow proactively establish that the proposal presents little to no risk. In addition, exceedingly long time periods for receiving regulatory approval turn off potential new entrants or force alternative structures to avoid costly extended review, such as acquiring a small existing bank. These factors combined with the increased day-

¹ The *FDIC National Survey of Unbanked and Underbanked Households* also reports that half of all banked households use mobile banking as their primary method of bank account access in 2023 and that half of all households use nonbank online payment services.

² More than 1,000 new banks formed between 2000 and 2008. The FDIC has granted deposit insurance to 117 entities since 12/31/2008. This number includes shelf charters, spin-offs and entities that did not open for business. <https://www.fdic.gov/bank-examinations/decisions-bank-applications-deposit-insurance>.

³ See <https://www.fdic.gov/bank-examinations/de-novo-banks-economic-trends-and-supervisory-framework>.

to-day costs of competing in the modern business of banking are difficult for many to overcome. On top of that, many of the new and more dynamic business models seeking to enter the regulated banking space cannot because their ownership structures are not compatible with Bank Holding Company Act limitations.⁴ This has created a system of haves and have nots, those that are regulated and those that are not. As with any dynamic system, these two halves are finding synergies through various levels of partnerships but much thought must be given to how these two halves will coexist in the long term.

We have also seen a marked slowdown in bank merger activity.⁵ The economic environment over the past several years and the bank failures in the spring of 2023, together with policy choices of the previous administration created material headwinds to what would otherwise be healthy merger activity. The previous administration had expressed a general level of distrust of the processes long used in considering merger applications, concern with respect to perceived concentrations within the banking industry, the impact of size on financial stability, as well as the impacts of mergers on local communities and customers. These concerns manifested in the revised bank merger policy statements issued by the Office of the Comptroller of the Currency (the “OCC”) and the Federal Deposit Insurance Corporation (the “FDIC”), as well as the Department of Justice’s (the “DOJ”) formal withdrawal from the 1995 joint Bank Merger Guidelines.⁶ Others are concerned about the lack of transparency and processing times related to bank merger transactions and de novo licensing.

The question before us is how we can maintain the strength and diversity of our banking system through de novo charters and bank mergers, which, if approached properly, can bring new capital and entrants into markets and create more effective competitors in others, while also

⁴ The Bank Holding Company Act of 1956 (the “BHC Act”) requires a company that directly or indirectly “controls” a “bank” (within the meaning of the BHC Act) to register as a bank holding company (“BHC”) and receive the prior approval of the Federal Reserve. 12 U.S.C. §§ 1841(a), 1842(a). BHCs are subject to significant restrictions on their business activities and investments, and are generally prohibited from engaging in non-banking commercial activities. 12 U.S.C. § 1843. BHCs and their affiliates (including nonbank affiliates) are also subject to comprehensive regulation and supervision on a consolidated basis by the Federal Reserve. In particular, BHCs are subject to regular examination, reporting requirements, capital and other material supervisory standards, as well as a requirement to serve as a source of financial strength to any controlled bank.

⁵ The average number of banking institution mergers and acquisitions from 2012 to 2019 was approximately 265 per year. By comparison, from 2020 to 2025 (on an annualized basis), the average number of banking institution mergers and acquisitions has dropped to approximately 145 per year, a decrease of approximately 45%. Source: S&P Capital IQ (as of May 9, 2025). Includes all announced mergers, whether or not completed, in which the target institution is a regulated banking organization, but excludes government-assisted acquisitions of failed banks and acquisitions of credit unions.

⁶ For additional discussion on each of these actions, see: OCC, FDIC and DOJ Finalize Changes to Their Bank Merger Review Processes (<https://www.stblaw.com/about-us/publications/view/2024/09/19/occ-fdic-and-doj-finalize-changes-to-their-bank-merger-review-processes>); FDIC Proposes Changes to Its Bank Merger Review Process (<https://www.stblaw.com/about-us/publications/view/2024/03/22/fdic-proposes-changes-to-its-bank-merger-review-process>); OCC Proposes Changes to Bank Merger Review Process (<https://www.stblaw.com/about-us/publications/view/2024/01/31/occ-proposes-changes-to-bank-merger-review-process>); Provident/Lakeland Approvals Highlight Agency Divergence on Bank Merger Transactions (<https://www.stblaw.com/about-us/publications/view/2024/04/16/provident-lakeland-approvals-highlight-agency-divergence-on-bank-merger-transactions>); DOJ’s Antitrust AAG Kanter Announces New Approach to Antitrust Enforcement in Bank Mergers (<https://www.stblaw.com/about-us/publications/view/2023/06/21/doj-s-antitrust-aag-kanter-announces-new-approach-to-antitrust-enforcement-in-bank-mergers>).

acknowledging the critical importance of the application review process and the required statutory factors for review. I have a few thoughts.

Impact of Bank Merger Guidelines on Competition

Preserving market competition was a core purpose behind the Bank Merger Act and the appropriate balance between the competitive factor and the other statutory factors was hotly debated at the time of enactment.⁷ At that time, banking was a deeply local business and the competitive factor was formulated with that in mind. In coming to the current statutory language, Congress attempted a “balancing of favorable and unfavorable banking factors with favorable and unfavorable competitive factors, with no one of them being overlooked and no one of them being controlling.”⁸

Prior to the DOJ’s withdrawal from the 1995 Bank Merger Guidelines in September 2024, the DOJ and the banking agencies applied a relatively similar analytical framework for analyzing competitive effects, which utilized predictable screens and safe harbors using market share calculations based on local deposits and branch overlaps.

In formally withdrawing from the 1995 Bank Merger Guidelines, DOJ made clear that going forward it would be applying its general 2023 Merger Guidelines, thereby expanding its bank merger analysis beyond the traditional assessment of HHI screens based on deposits and instead applying a much broader framework that would consider additional factors including the impact on discrete lines of business, particular customer segments and service quality. While DOJ stated, when announcing its withdrawal from the 1995 Bank Merger Guidelines, that the withdrawal was the result of collaborative consultations with the Federal Reserve, FDIC and OCC, none of the banking agencies went so far as to state that they would also be completely abandoning the 1995 Bank Merger Guidelines.

Recent transactions suggest that the federal banking agencies are continuing to rely heavily on the traditional methodology from the 1995 Bank Merger Guidelines of calculating market shares based on branch deposit data, and using the safe harbors set out in those Guidelines.⁹ It remains to be seen, particularly for more traditional brick-and-mortar retail bank transactions, if the DOJ’s differing analytical approach will result in any materially divergent outcomes, or if the DOJ will adhere more closely to a more traditional approach when assessing regional or community bank mergers, notwithstanding the broader analytical tools available within its 2023 Merger Guidelines.

In any case, real effort must be made to modernize the analytical methods under which bank combinations are reviewed for competitive purposes. While the historic approach does include predictable screens, it does not readily include other non-bank participants or online competitors,

⁷ Traber, Martin A. (1969) “Legislative History of the 1960 Bank Merger Act and its 1996 Amendment: Judicial Misuse and a Suggested Approach,” *Indiana Law Journal*: Vol. 44: Iss. 4, Article 4. Available at: <https://www.repository.law.indiana.edu/ilj/vol44/iss4/4>.

⁸ 106 Cong. Rec. 7257, 9712 (1960).

⁹ See, e.g., Capital One Financial Corporation, FRB Order No. 2025-10 (April 18, 2025); Renasant Corporation, FRB Order No. 2025-07 (March 14, 2025); Provident Financial Services, Inc., FRB Order 2024-02 (April 11, 2024).

which are major competitive forces in today's financial services environment.¹⁰ As a result, market share can be over or under weighted depending on the geography. The major hurdle to this modernization is access to measurable data. This issue is well known but understandably is not a priority for any of the banking agencies and is a major challenge to coordinate on an interagency basis. As a result, transactions that will result in stronger banking organizations that can offer a wider array of products and services are routinely adversely impacted by the limitations of the current approach.

Applications Processing

Many straight forward merger transactions are processed in the normal course within a few months under standard processing procedures.¹¹ However, too many transactions languish well beyond the normal processing periods. A growing number of merger transactions have been caught up in reviews that can take a year or more, which exposes both parties to escalating risk as delays mount.¹² De novo applications routinely take years to wind their way through the review process. These timelines are extremely difficult for any businesses to function within. Deals that were struck a year ago may no longer make sense. Employees may leave and critical IT systems upgrades may be deferred as a result of uncertainty.

As someone who has spent material time on both sides of application processing, I can tell you that there have been a few key reasons why applications experience delays. I would opine that most all of these can be readily addressed through thoughtful action by the federal banking agencies, although targeted legislative actions may also be helpful.

1. Modernizing Internal Procedures

A number of otherwise straight forward transactions are held up by outmoded or misused agency procedures.

Complete Applications and Clock Tolling

The federal banking agencies must act on applications within more established and binding time periods. Each of the federal banking agencies has a slightly different way of acknowledging an application and determining when it is informationally complete. This procedural threshold is important because it triggers statutory and regulatory timelines within which the agency must act. While agencies will acknowledge receipt of an application upon filing, an application is not

¹⁰ See <https://home.treasury.gov/system/files/136/Assessing-the-Impact-of-New-Entrant-Nonbank-Firms.pdf>.

¹¹ The Federal Reserve publishes aggregate data that summarized the number and types of applications it processes as well as the average and median processing time. <https://www.federalreserve.gov/publications/semiannual-report-on-banking-applications-activity.htm>. The FDIC and the OCC both maintain public databases of applications received and action dates.

¹² The baseline processing period for applications has increased over the past 10 years. In 2014, the Federal Reserve took on average 53 days to process applications that did not receive a public comment. This number has climbed steadily to 85 days in the second half of 2023. As discussed further below, if an application receives a public comment, the average processing period increases dramatically. Although it varies by year, the Federal Reserve has taken on average between 160 and 260 days to process merger and acquisition applications that received a public comment over the past ten years.

considered “substantially complete” until months into processing. This can push out the date for required action depending on when the last piece of relevant information was received.¹³ This Committee has already correctly identified that this subjectivity renders the statutory and regulatory time periods practically moot. Without any sense of urgency or accountability, it is easy for the application process to develop into somewhat of a black hole or for an application to simply take a back seat to other more pressing agency matters.

It will take dedicated and consistent effort by agency leadership and staff to remedy this issue over the long term. Although one can debate the timeline selected, a potentially effective method for increasing agency discipline on this issue may be found in the FDIC’s policy adopted in June 2024, which requires any application that has spent 270 days awaiting approval to automatically be put on the discussion agenda for the FDIC’s next board meeting.

While I am generally supportive of legislative efforts to codify more concrete application review timelines in statute, great caution should be used in establishing the procedures and timelines in order to avoid negative unintended consequences. For example, any legislation should be careful to include all statutes that are applicable to the review of a bank merger or de novo application in order to avoid inconsistent timelines under different statutory regimes. Further, any timelines should be practical and not merely aspirational. Congress would not want to set up a procedure where otherwise approvable transactions are denied or turned away simply because it isn’t realistic to process them within an impractically short timeframe. Additionally, if the timeline is too short, more of the review process could be pushed into a space outside of the regulatory structure (such as pre-filing reviews or suspensions) or the initial application requirements could be so significantly expanded such that any time saved in processing is lost.

Expedite the Review of Public Comments

One big culprit for long processing periods is how agencies handle comments received during the public comment period. While it is important to consider timely and substantive comments during the applications process, the receipt of a public comment should not add months to processing or immediately trigger heightened agency action.¹⁴ The federal banking agencies should also limit public hearings to transactions that present unique circumstances that cannot be addressed through written comment. Size alone should not be a determinative factor.

The vast majority of public comments raise concerns about branching or the banking organization’s level of community engagement. Agency staff are well prepared to review and consider public comments and quickly decide whether they are truly material or present novel and verifiable information not otherwise available to the agency. The federal banking agencies

¹³ 12 U.S.C. § 1842(b)(1); 12 CFR 225.15(c); 12 CFR 225.15(d); 12 CFR 225.16(f); 12 CFR 303.64(a)(2); 12 CFR 303.64(b); 12 CFR 303.64(c).

¹⁴ For example, under the Federal Reserve’s rules, an application which otherwise may be delegated to the appropriate Federal Reserve Bank for processing automatically requires the approval of the full Board of Governors if a timely substantive public comment is received. 12 CFR 265.20(c)(12). The Federal Reserve’s Semiannual Reports on Banking Applications Activity show that applications that received a public comment take substantially longer to process than compared to applications with no comments. Depending on the year, an application with comments can take between 100 and 300 days longer than an application with no comment on average. <https://www.federalreserve.gov/publications/semiannual-report-on-banking-applications-activity.htm>.

routinely examine banks with respect to their compliance with the Community Reinvestment Act and fair lending laws. The applications process should not be used to relitigate these examinations or call into question otherwise reasonable plans for forward-looking compliance without compelling factual evidence. This is wasteful of agency resources and disregards the hard work of the agency staff that conduct those supervisory operations. Simply adjusting agency rules to allow staff to make decisions with respect to which comments are redundant of information already under considerations, which comments can be handled in the normal course of the application review and bank business, and which deserve more detailed consideration, would dramatically reduce application processing periods for a significant number of transactions.

Eliminate Redundancy by Reducing or Streamlining Duplicative Review Processes¹⁵

Both bank mergers and de novo transactions are reviewed by multiple federal banking agencies. While sometimes there are material reasons for multiple agencies to review a transaction, there are many times when the review is merely duplicative and serves no regulatory purpose. The Federal Reserve could take steps to standardize and make more predictable its current process for waiving applications at the holding company level if there is an underlying Bank Merger Act filing and certain other factors are met.¹⁶ Similarly, the FDIC could establish a procedure to waive or shorten the review of de novo insurance applications if the OCC or the Federal Reserve are also reviewing the transaction. If the OCC or the Federal Reserve (together with the appropriate state banking agencies) determines that a de novo institution can operate in a safe and sound way, it is not clear what additional regulatory purpose is served by the FDIC separately opining on the matter.

2. Avoid Burden Shifting and Expanding the Factors for Review

Instead of approaching applications from a neutral position, there has been a growing level of risk aversion within the regulatory space which results in a tendency to view bank related transactions as inherently negative. As discussed above, the U.S. banking system requires a reasonable opportunity for parties to both enter and exit the market, as well as engage in business combinations that enhance their competitive impact. Although it is always the applicant's burden to establish that the statutory factors are satisfied, it is a fundamentally different proposition if you are starting from a neutral position or from a negative one.

In pursuit of creating transparency and certainty in applications processing, the OCC and FDIC bank merger policies issued in 2024 intentionally and unintentionally created presumptions that perpetuated and increased this shift in burden. While some of those indicators were logical and based on long-standing and well understood bank agency policy, the proposals also included some factors not previously articulated by the regulators and that were not based on any measurable data. No matter what the intent or how much the agency conditions terms, once the

¹⁵ Each of the options noted below could also be effectuated through legislative changes.

¹⁶ 12 CFR 225.12(d). The Federal Reserve typically grants these waivers later in the process once they become comfortable that the primary bank regulator is prepared to act. This creates the potential that the Federal Reserve will ask for a full application late in the applications processing period which is a risk that many banking organizations are not willing to take.

words are on paper, they are very difficult to overcome. Presumptions tend to not be rebuttable in practice in the bank regulatory space.

Additionally, there is a tendency for Congress, the federal banking agencies and outside parties to use bank regulation and the applications process as a method for promoting policy goals that are not related to the issue at hand. This is not a new development—over many years, the applications process has been used as leverage to promote varying supervisory, community engagement, branching and overall system structuring goals.

Examples of this can also be found in the OCC and FDIC bank merger policies issued in 2024. The FDIC Statement of Policy required applicants to demonstrate with “specific and forward-looking information” that the combined institution will “better” meet the convenience and needs of the applicable community. The FDIC Policy Statement also required applicants to provide a detailed three-year plan for all projected or anticipated branch expansions, closures or consolidations following the merger and be prepared to make commitments for at least three years regarding future retail banking services in the relevant communities. The OCC’s Policy Statement pointedly suggested that community benefit plans and engagement would be specifically reviewed. Both the OCC’s Policy Statement and the FDIC Statement of Policy explicitly stated that the agencies would consider job losses in connection with their review.

Both of these policy statements are in the process of being withdrawn. However, the federal banking agencies should exercise great caution when formulating guidance intended to provide transparency so that they do not shut out otherwise beneficial transactions through burden shifting or adding what are equivalent to additional factors for review.

3. *Right Sizing Information Expectations for Applications*

The federal banking agencies must work to right-size information expectations with respect to applications. A fundamental disconnect has developed over time that is difficult to overcome. The banking agencies have access to more information than ever before with respect to banking organizations and applicants. I can tell you from personal experience that application packages have never been lengthier and more detailed. For those not intimately familiar with an initial merger or de novo bank application, they typically range from several hundred to several thousand pages in length depending on the size and type of transaction. Together with additional information requests, it becomes impractical for agency staff to review and absorb the amount of information submitted during the application process in any meaningful or timely way. Additionally, more information frequently begets requests for even more information. At some point, one has to ask who is reviewing all of this information, what is the materiality of such information to the application under consideration, and against what are the functional measures are the agencies even weighing this information.

From an agency staff perspective, it takes disciplined management and committed oversight to keep application forms up to date,¹⁷ tailor information requests based on size and risk profile,

¹⁷ The federal banking agencies have various forms and standard information that applicants must submit when filing an application. These forms are not updated often, frequently request outdated or repetitive information, and are vague in some places. Updating forms is a thankless job. However, a thoughtful approach to updating forms could materially reduce processing times but eliminating outmoded information requests, target applicant efforts to

and ensure that requests are for “need to know” and not merely “nice to know” information. This is not an easy task to manage across various agencies and regional offices, changing leadership and priorities, as well as the inevitable fear of after-the-fact finger pointing when a transaction or organization does not work out as planned. In the end, from their perspective, it has been safer to be risk adverse than timely. These challenges will only increase if agency staff levels are decreased.

4. Decouple the Supervisory Process from Applications Review

Agency leadership and applications staff must take actions to avoid duplicating the supervisory process in connection with reviewing applications, including de novo and conversion applications. The applications process is not the place to revisit the supervisory status of a banking organization. Routine supervisory matters, whether existing or new, should not be roadblocks to a transaction unless the matter directly and materially implicates the proposal or management’s ability to safely effectuate the transaction. Further, the federal bank regulatory agencies should not superimpose the supervisory obligations of a going concern bank onto a de novo applicant during the application process. These expectations create incredible hurdles for institutions and can be managed through the supervisory function.

Conclusion

In conclusion, maintaining a vibrant banking system that is constantly changing comes with risks and hard choices. Risk is inherent to the business of banking. Although reasonable people may disagree about where to strike the right balance, it is not practical or healthy for Congress or the federal banking agencies to attempt to reduce that risk to zero, either through the supervisory or applications processes. Not all transactions will work out as anticipated and not all banks will be successful. However, there are systems and agencies in place to minimize these risks and step in if they cannot be managed. New entrants and bank combinations bring new energy and capital into the banking system. The commonsense suggestions that I have discussed in this testimony could help rationalize the applications process and support a more dynamic industry that can better serve the needs of all Americans. A thoughtful and predictable applications process will only help preserve diversity and competition in our banking system.

topics and information that are most relevant to the federal banking agencies and reduce the need for additional information questions. The federal banking agencies should be cautious about these efforts. Deep thought should be given to what information is truly helpful and used during the application process, what information is already available to the agencies, and what information is merely “nice to know.” Updating applications forms would be particularly helpful to de novo applicants by providing more detail and objective metrics against which they can tailor their business plans.

Chairman BARR. Thank you. Mr. Berlau, you are now recognized for 5 minutes.

STATEMENT OF JOHN BERLAU SENIOR FELLOW AND DIRECTOR OF FINANCE POLICY, COMPETITIVE ENTERPRISE INSTITUTE

Mr. BERLAU. Chairman Barr, Ranking Member Foster, and honorable members of this subcommittee and this committee, thank you for this opportunity to present testimony on behalf of my organization, the Competitive Enterprise Institute. This is a hearing on the critically important topics of de novo banks and bank mergers that are both vital parts of reaching consumers and small businesses in our financial system.

Competitive Enterprise Institute (CEI) is a Washington-based free market think tank, founded in 1984, that studies the effects of regulations on job growth and economic well-being. At CEI, we have long championed private sector innovation that serves all Americans and have warned about government red tape that contributes to the problems facing the Nation's unbanked and underbanked population in both rural and urban areas. We are concerned about the burdensome regulatory barriers that have been erected since the financial crisis of 2008 to the formation of new or de novo banks and more recent barriers erected, and now, thankfully, being knocked down, to bank mergers that would benefit consumers and entrepreneurs.

Let me start with de novo banks. In every business sector, new entrants are essential to the functioning of a competitive free market economy. In this hearing, I look forward to learning from my fellow witnesses, who are recent founders of de novo banks, about their innovative financial products and services they are providing to their communities. Previously to this committee and in my writings, I have pointed to the example of the Bank of Bird-in-Hand in the heart of the Amish country of Pennsylvania as an example of new banks providing practical, if not what many would consider the most technologically sophisticated, innovations to serve their communities, including drive-thru lanes for horses and buggies that the Amish use. That bank grew from \$17 million to more than \$1 billion in less than 10 years in assets.

While the Bank of Bird-in-Hand and the two banks of my fellow witnesses are certainly success stories to be celebrated, they are three of only a handful of new banks approved by the Federal Deposit Insurance Corporation since the 2008 financial crisis. In 2023 and 2024, just six de novo banks were approved each year. In some of the years following the financial crisis, no new banks were approved. By contrast, in the 4 decades before the crisis, the FDIC approved more than 100 new banks in most years. This was the case even in the late 1980s and early 1990s, at the height of the savings and loan crisis.

There may be multiple causes for the decline of new banks, including the increase in general regulatory compliant costs from the Dodd-Frank law. Still, we know from the testimony here, from de novo bank founders and an aspiring de novo bank founder, that the FDIC is imposing unreasonable burdens, both in the process and upfront capital of de novo applications. That is why legislative ef-

forts such as Chairman Barr's Promoting New Bank Formation Act, which passed the committee recently with bipartisan support, are so needed. The Chairman's bill would move Federal banking agencies toward a system of phased-in capital that would allow de novo banks to build capital as they gain customers, rather than having to meet a nearly impossible burden for massive amounts of capital upfront.

Both Congress and the regulatory agencies also need to remove unnecessary red tape that hampers beneficial mergers of existing banks. Changes in policies on mergers pushed through last year at the FDIC and Office of the Comptroller of the Currency, both of which thankfully have begun to be reversed, would have made mergers of banks much more difficult and time consuming. Mergers and acquisitions are most often a healthy part of capitalism's competitive process that brings innovation and dynamism to industries, and in the banking sector are necessary, according to former regulators such as Sheila Bair and Tom Hoenig, to help prevent failures and to allow regional banks to better compete against megabanks. Both mergers of existing businesses and the creation of new businesses are essential parts of a competitive market and a competitive financial system in which a variety of entrepreneurs create products and services for a variety of consumers, enabling a financial system and an economy that is resilient and beneficial to all Americans.

Thank you again for inviting me to testify, and I look forward to your questions.

[Prepared statement of Mr. Berlau follows:]



Testimony of John Berlau, Senior Fellow & Director of Finance Policy, Competitive Enterprise Institute

Before the House Financial Services Committee, Subcommittee on Financial Institutions

Hearing: Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation

May 14, 2025

Chairman Barr, Ranking Member Foster, and honorable members of this Subcommittee, thank you for this opportunity to present testimony on behalf of my organization, the Competitive Enterprise Institute (CEI). This is a hearing on the critically important topics of de novo banks and bank mergers that are *both* vital parts of reaching consumers and small businesses in our financial system. In my testimony, I am going to discuss the regulatory barriers preventing the formation of new banks and bank combinations that could benefit American consumers and entrepreneurs.

CEI is a Washington-based free-market think tank, founded in 1984, that studies the effects of regulations on job growth and economic well-being. It is our mission to advance the freedom to prosper for consumers, entrepreneurs, and investors. At CEI, we have long championed private-sector innovation that serves all Americans and have warned about

government red tape that contributes to the problems facing the nation's unbanked and underbanked populations in both rural and urban areas.

We have sounded the alarm about Dodd-Frank Section 1075, also known as the “Durbin Amendment,” which transferred, through price controls, much of the cost of processing debit cards from retailers—including very large retail chains—to some of the nation’s poorest consumers, and which prominent economists have found contributed to more than 1 million Americans becoming unbanked.¹

We are also concerned about the burdensome regulatory barriers that have been erected since the Financial Crisis of 2008 to the formation of new, or *de novo*, banks and more recent barriers erected – and now thankfully being knocked down – to bank mergers that would benefit consumers and entrepreneurs. In this testimony, I will speak of the benefits both new banks and bank mergers bring to the financial system and the economy as a whole.

Let me start with *de novo* banks. In every business sector, new entrants are essential to the functioning of a competitive, free-market economy. As scholars from the Kauffman Foundation of Kansas City, Missouri, have stated in summarizing their research findings: “New and young companies are the primary source of job creation in the American economy. Not only that, but these firms also contribute to economic dynamism by injecting competition into markets and spurring innovation.”²

In this hearing, I look forward to learning from my fellow witnesses who are recent founders of *de novo* banks about the innovative financial products and services they are providing to their communities. Previously, to this committee and in my writings, I have pointed to the example of the Bank of Bird-in-Hand in the heart of the Amish country in Pennsylvania as an example of new banks providing practical – if not what many would consider the most technologically sophisticated -- innovations to serve their communities.

¹ Todd J. Zywicki, Geoffrey A Manne, and Julian Morris, “Price Controls on Payment Card Interchange Fees: the U.S. Experience,” George Mason University Law and Economics Research Paper Series No. 14-18, https://www.law.gmu.edu/assets/files/publications/working_papers/1418.pdf; John Bertau “Free Checking Nearly Extinct Thanks To Dodd-Frank; Will Credit Card Rewards Follow?,” Competitive Enterprise Institute Blog, September 28, 2012, <https://cei.org/blog/free-checking-nearly-extinct-thanks-to-dodd-frank-will-credit-card-rewards-follow/>.

² Jason Wiens and Chris Jackson, “The Importance of Young Firms for Economic Growth,” Ewing Marion Kauffman Foundation September 24, 2014, <https://www.kauffman.org/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth/>.

As many of its Amish customers travel by horse, this bank did everything it could to make them feel welcome. The lanes going to the drive-through window were designed to accommodate horses and buggies, and for those customers who needed to enter the bank for business transactions, a wooden barn-like shelter was built in which they could leave their horses.³ The trek to the bank is still a long trip when riding in a horse-pulled carriage, so the bank operates mobile branches—called “Gelt buses” after the term for money in the Pennsylvania Dutch dialect of the area—that come to around 20 different locations loaded with both ATMs and bank employees.⁴ The bank now operates both physical and mobile bank branches throughout rural Pennsylvania and grew from \$17 million to more than \$1 billion in assets in less than 10 years.⁵

While the Bank of Bird-in-Hand and the two banks of my fellow witnesses are certainly success stories to be celebrated, they are three of only a handful of new banks approved by the Federal Deposit Insurance Corporation (FDIC) since the 2008 financial crisis. That signals a policy failure.

When the Bank of Bird-in-Hand was opened in 2013, it was the first new bank to receive approval from the FDIC in more than three years. In some of the years following the financial crisis, no new banks were approved.⁶ By contrast, in the decades before the crisis, the FDIC approved more than 100 new banks – and sometimes more than 200 – in most years going back to 1961. This was the case even in the late 1980s and early 1990s, at the height of the savings-and-loan crisis.⁷

No doubt there was more than one factor in the stunning drop in the number of new banks per year. The costly provisions of the 2010 Dodd-Frank financial overhaul, which imposed a

³ “Nice Gig,” *The Economist*, May 31, 2018, <https://www.economist.com/finance-and-economics/2018/05/31/the-number-of-new-banks-in-america-has-fallen-off-a-cliff>; Tim Mekeel, “New Bank of Bird-in-Hand result of long approval process,” *Lancaster Online*, Updated January 14, 2014, https://lancasteronline.com/business/new-bank-of-bird-in-hand-result-of-long-approval-process/article_3b1f38d1-5125-54e7-8868-794b5fe303fc.html.

⁴ “The ‘Gelt Bus’ Brings Banking-On-Wheels To Amish In Lancaster County,” *Amish America*, March 10, 2021, <https://amishamerica.com/gelt-bus-brings-banking-on-wheels-amish-lancaster-county/>.

⁵ “The Bank of Bird-in-Hand Surpasses the Billion Dollar Mark,” *News release*, September 20, 2022, <https://www.businesswire.com/news/home/20220920005253/en/The-Bank-of-Bird-in-Hand-Surpasses-the-Billion-Dollar-Mark>.

⁶ John Berlau, “A Bird in the Hand and No Banks in the Bush,” *Issue Analysis No. 3*, Competitive Enterprise Institute, July 2015, https://www.cei.org/wp-content/uploads/2015/07/John-Berlau-Why-Competition-Offers-a-Solution-to-Too-Big-to-Fail_0.pdf.

⁷ Roisin McCord, Edward Simpson Prescott, and Tim Sablik, “Explaining the Decline in the Number of Banks since the Great Recession,” *Economic Brief No. 15-03*, Federal Reserve Bank of Richmond, March 2015, p. 4, Figure 3, https://www.richmondfed.org/media/richmondfedorg/publications/research/economic_brief/2015/pdf/eb_15-03.pdf.

crushing burden on many existing community banks and credit unions,⁸ likely discouraged formation of new banks, and still does so today.

But there was also a new FDIC policy that required de novo banks to put up on filing 8 percent of the assets they projected to have in seven years. For instance, if those forming a bank thought it might have \$500 million in assets in seven years, they would have to come up with \$40 million in cash before they could open for business. That requirement, noted a letter from the Independent Community Bankers of America and the American Association of Bank Directors, “effectively prevents the formation of de novo banks at all, or only in severely limited circumstances,” as such a large amount of upfront capital “is beyond the reach of many in communities where it is virtually impossible to attract capital from outside sources.”⁹

Matters on the regulatory front began to improve, but not by much. The FDIC changed the upfront capital policy to a slightly more manageable three-year projection in 2016.¹⁰ Yet even the “high” years after the financial crisis – such as the 15 de novo approvals in 2018 – pale in comparison to the decades before, when as I noted the FDIC approved more than 100 new banks in a typical year.¹¹ And in 2023 and 2024, the number of de novo banks fell back to the single digits, with just six being approved each year.¹²

That is why legislative efforts such as Chairman Barr’s Promoting New Bank Formation Act (HR 478), which passed this committee recently with bipartisan support, are so needed. The Chairman’s bill would move federal banking agencies toward a system of phased-in capital that would allow de novo banks to build capital as they gain customers, rather than having to meet a nearly impossible burden for massive amounts of capital upfront. The bill would also give the banking agencies a time limit to approve an application for a new bank or specify where the application falls short and what applicants can do to meet the banking agencies’ standards of approval.

⁸ “Here’s What Community Banks and Credit Unions Are Saying About Dodd-Frank,” House Financial Services Committee, August 10, 2016, <https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=400962>.

⁹ American Association of Bank Directors, “ICBA, AABD Express Concern with Lack of New Bank Charters,” News Release, December 12, 2013, <http://aabd.org/icba-aabd-express-concern-with-lack-of-new-bank-charters/>.

¹⁰ “FDIC Rescinds De Novo Time Period Extension; Releases Supplemental Guidance on Business Planning,” News release, April 6, 2016, <https://archive.fdic.gov/view/fdic/5121>.

¹¹ Ibid.

¹² Arpita Banerjee and Zuhaib Gull, “Number of new US banks continued to decline in 2024,” *S&P Global*, March 26, 2025, <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/3/number-of-new-us-banks-continued-to-decline-in-2024-88115007#:~:text=Only%20six%20new%20banks%20were,in%20the%20US%20banking%20sector.>

Of course, in finance, or any business sector, there always will be risks when a new business forms. However, unduly restricting the emergence of de novo banks poses its own risks to both the vitality and the long-term solvency of the financial system. A lack of new entrants in the banking sector increases the chances a large bank failure could severely curtail the supply of credit and availability of financial services.¹³

As Federal Reserve Governor Michelle Bowman, now President Trump's nominee for the Fed's Vice Chair for Supervision, stated recently: "In my view, the absence of de novo bank formation over the long run will create a void in the banking system, a void that could contribute to a decline in the availability of reliable and fairly priced credit, the absence of financial services in underserved markets, and the continued shift of banking activities outside the banking system."¹⁴ Both Congress and the bank regulatory agencies need to work to fill this void through common-sense deregulatory measures to remove the barriers to de novo banks.

And both Congress and the regulatory agencies also need to remove unnecessary red tape that hampers beneficial mergers of existing banks. Changes in policies on mergers pushed through last year at the FDIC and the Office of the Comptroller of the Currency – both of which have thankfully begun to be reversed in the new administration – would have made mergers of banks much more difficult and time-consuming. These policy changes, if allowed to stand, would have reduced consumer welfare and likely harmed the safety and soundness of many banks as well.

Mergers and Acquisitions, or M&A as the process is often called, are not per se problematic or anticompetitive. They should primarily raise concern when done in reaction to bad policy, as was the case when many banks were forced to combine to survive the compliance costs of Dodd-Frank and other regulatory burdens.¹⁵ However, M&A is in many cases a healthy part of capitalism's competitive process that brings innovation and dynamism to industries and the benefits of greater choices and lower prices to consumers.

¹³ Berlau, pp. 5-6.

¹⁴ Michelle W. Bowman, "Brief Remarks on the Economy, Monetary Policy, and Bank Regulation," Speech, June 27, 2024, <https://www.federalreserve.gov/newsevents/speech/bowman20240627a.htm>.

¹⁵ Allison Nicoletti, "Why Dodd-Frank Increased Banking Industry Consolidation," *Knowledge at Wharton*, September 5, 2017, <https://knowledge.wharton.upenn.edu/podcast/knowledge-at-wharton-podcast/banking-industry-acquisitions/>.

As I have written recently: “A ‘new juggernaut’ is often exactly what’s needed to bring lower prices and other benefits to consumers and entrepreneurs.”¹⁶

Restricting bank mergers often has the opposite of its intended effects. It harms the ability of community and regional banks to combine and compete with megabanks. Former FDIC Chair Sheila Bair and former FDIC Vice Chair Thomas Hoenig wrote last year that the FDIC’s proposed policy statement to curb bank mergers would have had “a chilling impact on positive M&A banking activity, including among regional banks where consolidation could strengthen their ability to compete with the megabanks.” They noted that “the unintended consequence ... could be to reduce, not promote, competition in the banking industry.”¹⁷

Anti-merger rules would also harm the safety and soundness of the U.S. financial system. Many banking scholars as well as bank regulators have recognized M&A as essential for keeping banks on solid financial footing. As Bair and Hoenig wrote: “Encouraging bank M&A has been an important, and essential tool, used by the FDIC and other bank regulators in stabilizing the banking system and reducing the number of bank failures. Acquisitions by strong banks of weaker ones can prevent failures, while protecting communities from the disruption of banking services that inevitably comes with the liquidation of a failed bank.”¹⁸

Both mergers of existing businesses and the creation of new businesses are essential parts of a competitive market and a competitive financial system in which a variety of entrepreneurs create products and services for a variety of consumers, enabling a financial system and an economy that is resilient and beneficial to all Americans.

Thank you again for inviting me to testify, and I look forward to your questions. Please also feel free to follow up with me at John.Berlau@cei.org

Mr. Berlau gratefully acknowledges the assistance in preparing this testimony of his CEI colleagues Iain Murray and Patricia Patnode.

¹⁶ John Berlau, “Critics of Capital One–Discover Merger Are Missing the Elephants,” *National Review*, March 19, 2024, <https://www.nationalreview.com/2024/03/critics-of-capital-one-discover-merger-are-missing-the-elephants/>.

¹⁷ Comment letter of Sheila Bair and Thomas Hoenig, June 7, 2024, <https://www.fdic.gov/resources/regulations/federal-register-publications/2024/2024-proposed-policy-on-bank-merger-transactions-3064-za31-c-004.pdf>.

¹⁸ *Ibid.*

Chairman BARR. Thank you. Mrs. Young, you are now recognized.

STATEMENT OF RESHONDA YOUNG, FOUNDER, JABEZ, INC.

Mrs. YOUNG. Chairman Barr, Ranking Member Foster, and distinguished members of the committee, thank you for allowing me allowing me the opportunity to speak with you today. Again, my name is ReShonda Young. I am the Founder of the proposed Bank of Jabez in Iowa, which would be a State-chartered de novo bank designed to address the systemic inequalities and discrimination that I have witnessed and personally experienced in banking over more than 20 years. I am a landlord, a real estate developer, and business consultant with the Small Business Development Center. Through those roles, I have seen firsthand how deeply unjust lending practices impact minority women and immigrant-owned business owners, not just financially, but emotionally and physically due to the amount of stress that these situations add to their lives.

My personal experience that got me to the point of, really, praying for a solution to the banking problems that I was having involved a multi-billion-dollar local community bank that held all of my real estate assets. When I started working with the bank, a good friend of mine was the Vice President at the bank. He knew the problems that both my dad and I were having with obtaining access to capital to grow our businesses. He introduced me to the commercial loan officer at the bank, and we embarked on a great relationship for the next 6 years. I had been with the bank 7 years in 2019 when I called for a simple request. My friend and loan officer had both left the bank, and I was told by the new loan officer that they did not want me at their bank, and if I decided not to move my accounts, that they would foreclose on me and take everything I own. This new loan officer did not just threaten me. He also began filing legal documents to try and make good on his threat.

For 16 months, the commercial loan officer and others at the bank, including the CEO, tried to illegally steal my properties that I had worked so hard for. It was only after involving the media and exposing documentation of the bank's misconduct that a settlement was reached. After enduring those 16 months of intense and unnecessary stress, I prayed about what I needed to do to make sure that this does not happen to others. I heard very clearly that I needed to start a bank that treats all people with dignity and respect.

I did not accept the task of starting a bank lightly. I immediately reached out to a banking professional, who became my cofounder. We downloaded the FDIC guide to starting a de novo bank, engaged banking consultants to help guide us through the process, and received a checklist involving 74 items that we needed to complete in order to actually charter a bank. That alone can be daunting. Pair that with average pre-opening expenses of \$800,000 to \$1.5 million and post-charter capital needs of at least \$20 million, and most people would abort the mission.

We initiated engagement with the FDIC in January 2021. Our overall experience has been favorable. They have been responsive to our questions and willing to meet with us to help keep us moving along with the process. We also began our engagement with the

Iowa Division of Banking in 2021. We quickly learned that de novo banks are rare. Iowa's last in de novo bank charters were issued in 1997. No one who is currently at the Iowa Division of Banking has ever gone through the de novo charter issuance before. As kind as the Iowa regulators are, there are many things that they are learning right along with me and my team. That is a bit unsettling for us. Our banking attorney has been called on to give guidance to the Iowa banking attorneys.

Another challenge is also opening as an Minority Depository Institution (MDI). MDIs are rare, representing roughly 3 percent of banks in the United States. MDIs meet critical needs in low-and moderate-income communities, yet few regulators have deep experience with them and there are limited resources to support the process. We need greater technical assistance for both banks and regulators to make MDI formations a more viable process. Starting a de novo is very expensive, and it is an arduous process. The guidelines around how capital can be raised and who it can be raised from, generally accredited investors, poses a barrier to entry. These requirements need to be adjusted.

Finally, I just want to address the ongoing need for strong banking regulations. Not all banks act ethically, and it is not just the big ones. Smaller community banks and credit unions also engage in discriminatory practices. That is why I joined the lawsuit against the CFPB to enforce Section 1071 and require data transparency on lending to women and minority-owned businesses. Collecting and reporting this data may cost banks a little bit more, but it protects consumers from potentially devastating financial harm. Thank you.

[Prepared statement of Mrs. Young follows:]

Good afternoon. Chairman Barr, Ranking Member Foster, Ranking Member Waters, and distinguished members of the Committee. Thank you for the opportunity to speak with you all today.

My name is ReShonda Young. I am the founder of a proposed Iowa State Chartered bank, Bank of Jabez. I am also a landlord, real estate developer, and business consultant with the SBDC. Bank of Jabez is being formed to be a solution to the systemic issues of inequality and discrimination in lending I have personally experienced in banking over a 20 year period, as well as the issues I have witnessed other minority and immigrant-led business owners experience. To this day, I continue to see the disparities in banking and lending opportunities for minorities and immigrants in my community. Some of the stories are absolutely devastating to the financial, emotional, and even physical well-being of the owners due to the amount of stress these situations add to their lives.

My personal story that got me to the point of praying for a solution to the banking problems I was having involved a multi-billion dollar local community bank that held all of my real estate assets. When I started working with the bank, a good friend of mine was a VP at the bank. He knew the problems both my dad and I were having with obtaining access to capital to grow our businesses. My friend introduced me to the commercial loan officer at the bank and we embarked on a great relationship over the next 6 years. I had been with the bank for 7 years in 2019 when I called for a simple request. My friend and the loan officer had both left the bank. I was told by my new loan officer that they did not want me at the bank and if I decided not to move my accounts, they would foreclose on me and take everything I own. This new loan officer did not just threaten me, he also began filing illegal documents to try and make good on his threat. For 16 months, the commercial loan officer and others at the bank, including the CEO, tried to illegally steal the properties I had worked so hard to acquire. As a result of having connections with small business organizations and individuals who have media connections, I was able to write a story that was going to get published, releasing the name of the bank. I shared with the editor of the publication all of the documentation I had gathered to prove what I had shared with him about the illegal and discriminatory practices were real. The bank President reached out to me, after finding out the story would be written releasing their bank's name. He found out that all of the documentation I had gathered was shared with the media, including a very inflammatory and threatening email he had sent to me. This revelation compelled him to reach out to me and offer a settlement agreement, which included releasing the liens they had on all of my real estate assets, in exchange for me not releasing their name in the story. After enduring those 16 months of intense, unnecessary stress, I prayed about what I needed to do to make sure this doesn't happen to others. I heard very clearly in my spirit that I needed to start a bank that was honorable in its dealings and that treats all people with dignity and respect.

I did not accept the task of starting a bank lightly. I immediately reached out to a banking professional, who became my co-founder. We downloaded the FDIC guide on starting a de novo bank. We engaged with banking consultants to help guide us through the process. The consultants provided us with a checklist of steps we needed to complete to get us to the point of opening the bank. The checklist involved 74 items. That, alone, can be daunting. Pair that with

average pre-opening expenses of \$800K - \$1.5MM and post-charter capital needs of at least \$20MM, and most people would abort the mission. Unfortunately, aborting the mission means business as usual. It means underserved and underrepresented populations of people will continue to experience discrimination, and potentially illegal acts, at the hands of unscrupulous individuals who do not equally value all people. Aborting the mission is not an option for my team and me.

We initiated engagement with the FDIC in January of 2021. Our overall experience with the FDIC has been favorable. They have been very responsive to our questions and willing to meet with us to help keep the process moving forward. We also began our engagement with the Iowa Division of Banking in 2021. We quickly learned that de novo banks are rare. Iowa's last de novo bank charters were issued in 1997. No one who is currently at the Iowa Division of Banking (IDOB) has ever gone through a de novo charter issuance before. As kind as the Iowa regulators are, there are many things they are learning right along with my team. That is a bit unsettling for us. Our banking attorney has been called on by the IDOB banking attorney to give guidance on various issues.

Knowing that there are de novo bank founders who are still around, it would be helpful if the IDOB had a team of de novo bank founders who they could consult with on the process they went through when founding their banks. Granted, launching a de novo bank is not something that is done every day, or even every decade in Iowa, that group of consultants would be helpful in more areas than just the de novo charter process. There is an added complexity to launching as a Minority Depository Institution (MDI). MDIs are rare, representing roughly 3% of US banks. Currently, there is one MDI in Iowa. Being that this is something neither the FDIC nor the IDOB has extensive experience with, it would be helpful to have resources available to guide that process and ensure the qualifications are met. MDIs serve critical needs in the communities they serve by providing access to financial products and services, particularly for LMI individuals that are generally underserved by mainstream banks. The qualifications for obtaining and maintaining the MDI status can be complex. Having experienced guidance in this process would be helpful for the de novo bank, as well as regulators who do not have much experience working with MDIs.

Starting a de novo bank is a very expensive and arduous process. The guidelines around how capital can be raised and who it can be raised from (generally accredited investors), poses a barrier to entry for those whose net worth is less than \$1MM (excluding their primary residence) or income is less than \$200K for an individual or \$300K with a spouse. This requirement should be adjusted, and looked at on a case by case basis.

Finally, I want to address the criticism around banking regulations. There are banks who will do the right thing simply because it's the right thing to do. There are many others who will not. It's not just the big banks that violate ethics and the trust of those who are underserved and underrepresented in banking. Smaller community banks, as well as credit unions, are often guilty of discriminatory and unethical practices, as well. If banking regulations are loosened, it will cause more harm to consumers, which is why I joined the group that brought the 1071

lawsuit against the CFPB for not enforcing anti-discrimination in banking laws. It may cost banks a little more time and money to prove they are not discriminating against women and minority business owners, as well as small businesses, in general. However, the extra little bit it will cost for banks to do regulatory reporting in this area will have a positive effect on consumers who don't stand much of a chance in defending themselves against bad banking practices that could cause them irreparable harm financially, emotionally, and even physically.

Thank you for your time.

ReShonda Young

Chairman BARR. Chairman Barr. Thank you for your testimony, all, and we will now turn to member questioning. The chair now recognizes himself for 5 minutes.

Let me start with Ms. Allexon and your important testimony that the receipt of a public comment should not add months to processing or immediately trigger heightened agency action. It is an important comment, I think, because we hear from banks a lot about pressure in connection with their merger applications to enter into pledges with community groups on meeting specific investment and lending goals. Some have even used the word, "extortion," in describing these tactics. They fear community groups will file negative comments on the merger, thereby slowing down or even jeopardizing the transaction.

Ms. Allexon, do you agree that agencies should approve bank mergers promptly, solely based on whether an application is complete and meets the key statutory criteria? When you answer that question, keep in mind that one of the things that we hear a lot is that these negative comments filed by community groups after a merger is merely announced should not be a cause for a public hearing or be relevant to a regulator approving a deal, especially when they have already been rated as having an outstanding or satisfactory Community Reinvestment Act (CRA) rating?

Ms. ALLEXON. Thank you for that question. Public comments are one of the main holdups in applications processing. I do not see these things as being mutually exclusive. I think the banking agencies can give due consideration to public comments and still process them in a timely manner. The statutes, each of the statutes—the Bank Merger Act, the Bank Holding Company Act, Change in Control—allow for public comments. That is built into the statute, but it is in the discretion of the agencies how they are considered and under what processes. I think, as I said in my testimony, there are some really, like, easy things that they can do to streamline that process and make sure that comments that are substantive and are relevant are given due consideration and that other ones can be expedited?

Chairman BARR. Thank you. Yes, and again, I would view, and I would hope the agencies would view, with great skepticism comments from community groups that are pejorative about an institution that has an outstanding CRA rating. Mr. Berlau, I thought your testimony was very important when you said acquisitions by strong banks of weaker ones can prevent failures while protecting communities from the disruption of banking services that inevitably comes with liquidation of a failed bank. Frankly, that is exactly why I named my legislation the Bank Failure Prevention Act. Can you expand on why a shot clock and avoiding a long, drawn-out merger review process is important for financial stability and preventing failures?

Mr. BERLAU. Thank you for the question, Chairman Barr. I think the shot clock is important both with de novo banks and bank mergers. Obviously, just like a business, you do not want a government agency to take forever. Who knows what could happen with the financial stability in the community? The shot clock does not require a yes or a no, but it requires an explanation from the agency and, and say, in the case of a de novo or a merger application,

of what they can do better. That provides more certainty to entrepreneurs and to communities.

Chairman BARR. Thanks. To the extent we saw some instability in the sector after the Silicon Valley Bank, I think, if we want to protect the Deposit Insurance Fund, allowing for healthy mergers to happen and not let those applications languish is very, very important for safety and soundness of the system.

Ms. Allexon, one more question. Last year, the Office of the Comptroller of the Currency (OCC) finalized new policies that revised the criteria used to evaluate the bank merger applications, including eliminating the OCC's expedited review process and streamlined application procedures. Additionally, the Department of Justice under the Biden Administration announced that it was formally withdrawing from the 1995 joint Bank Merger Guidelines. Can you discuss how these moves discouraged healthy merger activity that would have promoted competition in the banking sector, and do you think that preventing the OCC from promulgating a similar rule in the future would best ensure that the merger review process will continue to allow healthy mergers?

Ms. ALLEXON. Yes. As someone who works at an agency, it is very difficult drafting any sort of guidance or rulemaking. Every word means something, and so when you are putting together a proposal like that in the hopes of creating transparency or expediting the process, there can be unintended consequences. Those particular pieces of guidance created some presumptions that bank merger transactions were negative. Like, you are creating a presumption that you are starting out behind. Like, instead of starting in a neutral position, you are starting behind the eight-ball. So, every applicant has the obligation to satisfy the statutory factors, but it makes a big difference if you are starting behind or not.

Chairman BARR. Thank you very much for your testimony. The gentleman from Illinois, the ranking member of the subcommittee, Dr. Foster, is now recognized.

Mr. FOSTER. Thank you, Mr. Chairman. Mrs. Young, I would first like to thank you and the rest of our witnesses for being here and for sharing your stories. I found Mrs. Young's story particularly compelling. The obstacles that you faced during your time as a small business owner have clearly influenced your decision to enter the banking industry. You have experienced instances of blatant racism and discrimination that no business and no person should have to endure in any situation, let alone when trying to just finance your business. After those experiences, not only did you push the CFPB to implement Section 1071 of the Dodd-Frank Act to increase transparency for small business lending practices, you also went a step further and decided to start your own bank. Now, could you talk a little bit about how these experiences influenced your decision to form your own bank and how they influence the business plan for your bank?

Mrs. YOUNG. Yes. Thank you for your question. What I realized early on was that, because of the illegal things that were tried to be done to me or that were done to me, you cannot always legislate a person's heart, so, legislations may be put forth, and I think they are very necessary. You are still going to find people who are going to try and circumvent the system. We do not want to circumvent

the system. We want to follow the system. We want to follow the rules. We want to make sure that every person, no matter what their race, creed, color, anything

—it does not matter—we want to make sure that they are treated with dignity and respect. As much as, like I say, I believe that regulations are very necessary, there are people who will circumvent the system.

With our business plan, we are highly focused on making sure that each person, individual business—it does not matter—that they are able to evolve their selves financially as a result of working with us. We do not want it to be just a numbers game. We want it to actually have impact for the people in the communities that we serve.

Mr. FOSTER. Yes, thank you. I am a scientist, and it is really very difficult to fix a problem if you do not have the data to understand it. Do you believe the 1071 rule would help to prevent others from experiencing the same sort of discrimination that you faced?

Mrs. YOUNG. I do believe that the 1071 rule is very necessary in helping to prevent others from enduring what I did. So, having that enforcement, not just having it on the books, but having it enforced. It more than just puts a slap on somebody's wrist in terms of the bank. It really is going to make them do the things that they are supposed to do for fear that they are going to be fined or that they are going to have negative consequences.

Mr. FOSTER. Yes. Yes. One of the things—it is tough to design a law that might prevent that—is in things like, I will say, realtors steering people on the basis of race. There are thousands, millions of realtor customers, so it is easy to set up a testing program to find out if there is a systemic problem here. The number of customers for even small banks and large banks is just not that large, so you do not have the statistics to set up that sort of system, so I do not think there is an alternative to do pretty broad-based information collection on the front end. It would be nice if someone came up with a better system, but I was very disappointed that President Trump and the Republicans have really worked as hard as they can to overturn that rule. It would be nice to live in a world where we did not need it, but I think we are going to need to get that information to know how to fix it.

Let us see. Actually, this is to, I guess, all of our witnesses. Small community banks and new institutions face many challenges, especially when it comes to competing with the larger peers. One area that I believe is critical for small banks and credit unions to compete relates to technology. I think that a lot of what is driving the consolidation of banking is simply the difficulty of you do not have the scale to compete on the technological front with the bigger players. Consumers have come to expect things like mobile banking apps, online banking services, that can take significant resources to stand them up. If you have to do it yourself, it is typical to turn to third-party vendors, but the cost of setting up a new account with a third-party vendor, getting all the training for your employees, is not small.

I had mentioned, when we were talking earlier, the possibility that there could be a useful way of sort of safely subsidizing your technology costs for de novo startups. I am nearly out of time, but

I will be asking, for the record, if there is some sort of voucher program or something that we might come up with that would really take a big burden off of this and not be abusable, which is the danger with any subsidy?

Chairman BARR. The gentleman's time has expired. The Chairman of the House Small Business Committee, the gentleman from Texas, Mr. Williams, is now recognized.

Mr. WILLIAMS of Texas. Thank you, Mr. Chairman. Mr. Costello, in your testimony, you mentioned significant hurdles that you faced when starting a bank. From capital challenges to navigating a consistently changing regulatory environment, starting a new bank has only become more and more difficult to do, so de novo banks play an important role in our financial system. They serve as lifelines for small businesses, provide relationship-based lending to rural areas, and ensure that local economies are not left behind. Yet without meaningful reform, we risk losing the community-driven lenders that many of my constituents, and myself included. In Texas, we rely on that. Mr. Costello, can you expand on the challenges you faced when starting the bank and how those barriers impacted your ability to raise capital and serve the needs of your local community?

Mr. COSTELLO. I started a bank in 2009 and then just started one recently in 2022. The difference when I started that first bank in 2009, I was required to raise \$12.5 million of capital. This second bank in 2022, the capital requirement was double, in the same city, in Fort Lauderdale, Florida. Just prior to my opening in 2022, there had been another gentleman who tried to start a bank in the community and could not get the capital to raise it and had to abandon the charter attempt.

Mr. WILLIAMS of Texas. So, for many community and regional banks, mergers are a way to stay viable in a complex and costly regulatory environment. We saw a lot of that in this past administration. These banks often look to combine resources in order to invest in technology, expand product offerings, and better serve their customers. When done responsibly, bank mergers can enhance competition by allowing smaller institutions to grow and support more diverse and resilient banking ecosystems. As we have heard today, the current review process is slow, opaque, and unpredictable. Regulatory agencies have the ability to still stall mergers without issuing formal details, leaving the banks in limbo and discouraging future transactions. You have talked about that, and this uncertainty narrows strategic options for banks in all sizes and further contributes to market concentration.

Ms. ALLEXON, could you elaborate on how a transparent and timely merger review process would enhance the competition in the banking industry?

Ms. ALLEXON. There are a number of reasons why people want to engage in a merger or acquisition transaction, and you guys have mentioned a number of them. Economies of scale is important. Expanding products and service is important. Expanding your geographic footprint is important. So, having a timely process is important to those things because you enter into a purchase agreement, and you have staff. You have money that you are laying out, and the longer the process goes on, the more those banks become

at risk, right? You lose employees, you lose money, and it creates uncertainty. Also, during that time period, it can create a situation where who knows what supervisory situation or economic changes might develop, and so a deal that made sense a year ago might not make sense today. So, having that process be timely so that they can execute their strategic vision and have more competitive impact in their market, I think, is critical to a healthy system.

Mr. WILLIAMS of Texas. Good. Over the past several decades, the U.S. banking landscape has changed dramatically. In 1984, there were 14,000 banks, and today, that number has fallen below 4,000. Now, while some degree of consolidation is natural, the pace and scale of this decline raises serious concerns about the long-term health of our financial system. A lot of these have been community banks, right? People like me, we need that, and it hurts the ability to borrow, and particularly when it comes to access, competition, and choice in local communities. Now regional and community bank numbers are falling. At the same time, there is a lack of banks entering the market. Ms. Usategui, what do you see as the most significant factors contributing to long-term decline in the number of banks in the United States, which gives opportunity to a small business to grow and thrive?

Ms. USATEGUI. I think, back before the financial crisis, there was probably the same amount of mergers and acquisitions occurring, but you had de novo banks replacing them. After the financial crisis, only 85 banks, since 2010, have been formed. The overabundance of capital requirements is significant, I think, at least in our story. We had to raise over \$32 million to get our doors open, and I think that is the biggest challenge today. Having that ramp-up period of allowing potentially 6 percent to start and get to 8 percent by the end of the 3-year period is a lot more achievable to many to be able to achieve more de novo bank formation.

Mr. WILLIAMS of Texas. Thank you. I yield back, but I also want to thank all of you for lending to Main Street America, the greatest system we have. Thank you very much, and I yield my time back.

Chairman BARR. The gentleman yields.

The gentlewoman from California, Ms. Waters, is now recognized.

Ms. WATERS. Thank you very much, Mr. Chairman. Mrs. Young, it is good to see you again. I remember when we last spoke, and I have a great appreciation that you have taken time out one more time to travel to Washington, DC. to share your story with our committee.

Too many entrepreneurs face discrimination when they seek to get a loan from a bank, which is unlawful and not right. I appreciate that you responded by filing a lawsuit with the Consumer Financial Protection Bureau to compel them to finish their work on Section 1071 of Dodd-Frank. A provision that Ms. Velázquez and I fought to include so that small-business lending has the same transparency, fairness, and competition as mortgage lending. When you kept pressing forward to launch your own bank so that you could provide a fair service for your neighbors that you yourself and your neighbors did not get.

Now, I want to ask a question, or some questions, about your bank application process, as I would like to introduce what I be-

lieve should be a bipartisan legislation to address your challenges. Mrs. Young, in your testimony, you referenced that the FDIC new bank or de novo bank list involves 74 items. While I imagine there were good intentions along the way to add more items, it seems like no one has taken a fresh look at that checklist to know what is helpful or necessary to approve in a bank. Would it be helpful if Congress required our banking agencies to review and streamline some of those requirements?

Mrs. YOUNG. It would be very helpful if they had to review and streamline those requirements.

Ms. WATERS. Thank you. I think we got this from you. Okay. I want to thank you, Mrs. Young. You also raised concerns about communication and lack of expertise with the de novo process since none of the staff was around when the last new bank was chartered in 1997. Would it be helpful if Congress required Federal agencies to set up a de novo advisory panel where applicants and new approved banks can regularly meet with Federal and State banking regulators to give them feedback on ways to improve the application process?

Mrs. YOUNG. That would also be very helpful, yes.

Ms. WATERS. Thank you very much. Okay. You mentioned challenges you faced as a new minority depository institution and eligibility criteria you must meet. Would it be helpful if Congress required the creation of a de novo mentor protege program where any de novo applicant could be paired with a similarly situated bank that recently went through the de novo process and could share advice, even if they were in a different State?

Mrs. YOUNG. That would also be very helpful.

Ms. WATERS. Thank you again for sharing your story. There are other concerns you have raised. Now, I plan to address all of what you have advised us in legislation, and I hope that Republicans will work with Democrats to support the creation of a variety of new depository institutions in a safe and sound way, including rural banks, MDIs, credit unions, and community development financial institutions all across the country. Thank you so very much.

I want to say something to Mr. Berlau. It is good to see you once again. You testified before our committee in 2021 and endorsed my bill that was expanding financial access for “underserved communities,” which allows credit unions to expand their field of membership to banking deserts where banks have closed branches. Do you still support my bill, and do you think this committee should mark it up?

Mr. BERLAU. I do indeed. We need all types of financial institutions—banks, credit unions—all of the above, so yes, very, very much. The bill is still needed for a variety of choices for consumers and competition.

Ms. WATERS. I want you to know, between you and Mrs. Young’s presence here today, I am beginning to like this committee a little better. Thank you very much.

Mr. BERLAU. Thank you.

Ms. WATERS. I yield back.

Chairman BARR. The gentlelady yields back. The gentleman from Georgia, Mr. Loudermilk, is now recognized.

Mr. LOUDERMILK. Thank you, Mr. Chairman. Thank you all for attending today. Very important subject, especially in my home State of Georgia, which has suffered greatly since the 2008 financial crisis with very, very few new banks coming in, leaving a lot of the areas of our State underbanked or some without even a local small bank branch in the area.

First, let me start off asking a question about the Office of Comptroller of the Currency. Under Acting Director Rodney Hood, he recently reversed a Uniformed Services Employment and Reemployment Rights Act (USERRA) policy that delayed the approval of bank merger applications. While the rule was only in effect for a few months, we heard a great deal of concern from the banking industry. Mr. Berlau, what were tangible effects of the OCC's 2024 final rule on bank mergers, and why is it so important that banks have clarity on merger policies and processes?

Mr. BERLAU. It was a chilling effect—that banks had an uncertainty about whether—it shifted the burden to banks, including small community banks, as far as that they would have to justify the merger to the OCC rather than the previous policy of letting this merger go through unless the OCC found significant problems, and it is good now that it has been rescinded after the Senate passed the CRA resolution. As Chairman Barr said, you need to prevent a future OCC from having that comeback, so it is vital that the House finish the work and pass that CRA resolution to stop the rule.

Mr. LOUDERMILK. Thank you. Ms. Allexon, do you concur or do you have anything you would like to add to that?

Ms. ALLEXON. Yes. I agree that it created a chilling effect, but I also want to add that we do have to be careful with these wild swings in policy.

Mr. LOUDERMILK. Right.

Ms. ALLEXON. Certainty in policy is really important in banking. It is true on applications processing. It is true in supervision. I think everybody agrees that they want banks to operate in a safe and sound way and they want mergers to be reviewed in a thoughtful manner, but we just cannot keep swinging one way or the other. Like, we need to stay in the middle of the road.

Mr. LOUDERMILK. That is what I am hearing, even from other businesses, that say if you are going to regulate me, just let me know how are you going to regulate me and stick with it. Mr. Costello, on the de novo formation side, we have all heard how difficult it is to form a new bank in 2025. This has real impact on access to affordable credit. In Georgia, nationwide consumers are turning to less tangible forms of credit for their business needs, even if they might qualify for credit at a community bank. Is this something that you have seen in your own communities?

Mr. COSTELLO. Yes, we have seen that and, I think, due primarily to the fact that there just are not as many community banks in our community.

Mr. LOUDERMILK. Right.

Mr. COSTELLO. We have seen these lightly regulated, let us say, not regulated like we are, become more prevalent, and I think the businesses that utilize them find the costs are higher.

Mr. LOUDERMILK. Right.

Mr. COSTELLO. You do not have that relationship that you have at a community bank. I think most would prefer in the businesses that I talk to, when they find out that we have a community bank in Fort Lauderdale, are happy to deal with us.

Mr. LOUDERMILK. Do you see that not having these community banks, the lack of de novo banks, impacts consumers in the small-dollar-loan arena?

Mr. COSTELLO. Absolutely, yes. Those same people, local citizens, they would come together, and actually, many times, a lot of those people would form banks previously, right, or a family would start a bank—

Mr. LOUDERMILK. Right. Right.

Mr. COSTELLO [continuing]. when the capital requirements were not so high. I think the thing that I like the most about H.R. 478 is the requirement to study it, because I think all of the procedures are so outdated and really need to be addressed and brought current.

Mr. LOUDERMILK. Since we are talking about especially rural areas, especially in Georgia, the agricultural areas are way underbanked, and some of the counties, it may be one bank branch in the whole county. How important are fintech partnerships in terms of competitiveness for small banks?

Mr. COSTELLO. They are very important, and we still have to compete with the largest banks no matter where you are located. In order to do that, that is a requirement, really. You have to create these fintech partnerships in order to have a viable technology base, which more and more people, especially younger people, really, that is their main way that they access financial services.

Mr. LOUDERMILK. Okay. Thank you. I yield back.

Chairman BARR. The gentleman yields. The gentlewoman from New York, Ms. Velázquez, is now recognized.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman and Ranking Member, and I want to thank all the witnesses for being here today. Mrs. Young, as you know, Ranking Member Maxine Waters and I were the authors of Section 1071, and I want to thank you for sharing your story. Mrs. Young, some of the arguments we have heard against Section 1071 were the same arguments that were made when the Home Mortgage Disclosure Act (HMDA) was implemented. Is that not correct?

Mrs. YOUNG. That is correct.

Ms. VELÁZQUEZ. Now, banks implement HMDA every day, correct?

Mrs. YOUNG. Correct?

Ms. VELÁZQUEZ. Mrs. Young, could you explain now—Section 1071—how could it actually increase lending in underserved markets?

Mrs. YOUNG. Absolutely. One of the jobs that I have is as a Small Business Development Center (SBDC) Consultant for small business owners. I work with a high number of immigrant business owners, and what I am finding is they will be very qualified. I help them with their plans, with their financials, and a lot of times, it may be language barriers or just a bias with the lending officer. I will get phone calls from the office when they are with the lender, and the lender will say, well, I cannot understand them, and so

then I will start to help translate, and then I will get a phone call from the lender denying them. There has not been one case where the applicant has gotten a phone call, a letter, or anything letting them know that they have been denied and by not even having to prove you are meeting with these people—you are not even proving that you are meeting with them. You are sending them nothing to say that they have been denied. Section 1071 and enforcing that would help a whole lot because——

Ms. VELASQUEZ. Thank you for that——

Mrs. YOUNG [continuing]. access to capital.

Ms. VELASQUEZ [continuing]. for that answer. Now, you are on the other side. You own a bank. Do you think the Section 1071 disclosure requirements are difficult to comply with?

Mrs. YOUNG. We are still in the process of chartering the bank. However, as we talk with compliance officers and other bank mentors that I have now, it is something that is difficult, but it is necessary. Even though it is difficult, my team and I do not mind, having to comply.

Ms. VELASQUEZ. Thank you. Mrs. Young, while President Trump campaigned on lower prices, he has advanced massive tariffs, not only on China, but practically every country on earth. Despite what some may try to argue, these tariffs are paid by U.S. consumers and businesses. In 2018, as a small business owner, you raised concerns with the relatively smaller tariffs that Trump imposed back then. Do you have any concerns about these much larger tariffs being imposed on other countries and what it means for small businesses and farmers across the country?

Mrs. YOUNG. Absolutely. I do have concerns with that.

Ms. VELASQUEZ. Last week, the Trump Administration announced a trade deal with the U.K. with little detail and a 90-day pause on tariffs with China. They have also imposed and lifted or created exemptions to tariffs with Canada and Mexico multiple times. You have been a small business owner. Would not you agree that small businesses need certainty, and the erratic, on-again-off-again tariff policy from the Trump Administration is making it difficult for small businesses to negotiate with suppliers, set costs and production targets, and forecast for the future?

Mrs. YOUNG. Yes, that is something that I am experiencing with the business owners that I work with.

Ms. VELASQUEZ. Thank you.

Mrs. YOUNG. You are welcome.

Ms. VELASQUEZ. I yield back.

Chairman BARR. The gentleman from Tennessee, Mr. Rose, is now recognized for 5 minutes.

Mr. ROSE. Thank you, and I want to thank Chairman Barr and Ranking Member Foster for holding this important hearing, and thank you to our witnesses for taking time to be with us today.

I shifted gears a little from what I had planned to do because of a call I got from a constituent this morning, and so I am going to launch in. I am concerned that ongoing financial institution mergers and consolidation are having an adverse impact regarding access to cash, which, despite the rise in digital payments, remains a vital component and driver of our consumer-spending-based na-

tional economy. This concern is especially acute in the face of the persistent and widespread wrongful denial of banking services for our Nation's independent ATM operators. These mostly small-to medium-sized businesses are a prime example of America's hard-working entrepreneurs, who now account for the majority of ATMs deployed throughout the country, often the only ones serving smaller rural communities most dependent upon cash access. Unfortunately, my understanding is that virtually all the largest national banks and most of the regional and community banks and credit unions across the country continue to categorically deny ATM businesses access to essential banking services based upon the wholly inaccurate misimpression and historic regulatory misguided direction that these entities present an elevated risk of money laundering or other illicit activities.

I know firsthand from the intensive work done on this subject previously with the financial regulators and my former colleagues, Blaine Luetkemeyer and Carolyn Maloney, that there is zero evidence of any illicit activities by this industry sector that would justify the wholesale categorical denial of banking services to which they continue to be subject. Just today, as I foreshadowed earlier, I learned that ServisFirst Bank in Nashville is closing one of my constituent's—Powell Group USA, LLC's—accounts after almost a decade simply because they that constituent an ATM operator. Beyond competition, Federal banking agencies are also required to evaluate other statutory factors under the Bank Merger Act, such as convenience and needs. It is my strong belief that Federal banking agencies, when reviewing a bank merger, should review whether banks provide services to independent ATM operators. It is also imperative that when Federal banking agencies are examining a merger for anti-money-laundering compliance, that no bank suffers adverse consequences simply for serving independent ATM operators.

Mr. Costello, you have worked at a number of banks throughout your career. Did any of the financial institutions you worked at provide banking services to independent ATM operators?

Mr. COSTELLO. My experience has been that we view every business as a business. As long as it is a legal business, we are happy to talk to them about banking them.

Mr. ROSE. That is good to hear. Mr. Costello, thinking about the financial institutions you have worked at, was the decision whether to provide banking services—I think you have answered this—to independent ATM operators based upon individual account-by-account analysis, as required by regulations, and did you ever get pressure from Federal regulators to unbank a customer simply because they might be involved in a business like that?

Mr. COSTELLO. No, I never was pressured by a regulator.

Mr. ROSE. Unfortunately, in a prior Congress, Mr. Luetkemeyer and Mrs. Maloney, and I learned that the regulators were, in fact, applying that pressure systematically, in fact, had it in the examiners guide that these categories of customers were considered to be higher risks. I hope that we are not seeing a continuation of that with the current activities of the regulators.

Ms. Allexon, as someone with experience with complex mergers and acquisitions, do you believe that it is appropriate for Federal

banking agencies to examine whether banks provide services to independent ATMs as a part of the Bank Merger Act review process?

Ms. ALLEXON. The convenience and needs of the community is already a statutory factor that they can take into consideration a wide variety of topics. I have not specifically seen that specific thing be considered in connection with an application, but it is something that they can do if that is a material issue in connection with that particular transaction or particular issue in that market.

Mr. ROSE. Have you ever seen other maybe categorical issues like this, where the bank regulators have maybe not served community needs and interest with respect to the way in which they review bank mergers?

Chairman BARR. The gentleman's time has expired. Could you respond for the record?

Mr. ROSE. Thank you. I yield back.

Chairman BARR. The gentleman from California, Mr. Vargas, is now recognized for 5 minutes.

Mr. VARGAS. I thank the chairman very much, and I very much thank the witnesses for being here. Thank you very much.

I read that the hearing today is called, "Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation." One of the things we seldom talk about are credit unions. Credit unions are interesting because they seem to serve the community. They seem to be in areas that are banking deserts. Anyway, I throw that out there because when we talk about the formation of banks, it is very important. I agree we need more of that. At the same time, it seems like there is this whole segment of financial institutions that we do not talk about. I know the conflict between the banks and the credit unions. Nobody likes each other, but the truth is that they are there, and I think they are very important. Second, I do want to talk about a little bit of the dissonance that I hear here. When the hearing started, I wrote down some of the comments that the chairman made saying that mergers were good, very good, and reasons why he believed that they were good, and gave some, I think, some important reasons. Then I heard most of the testimony here, and the testimony was not about bank mergers or acquisitions. It really was the value of small banks, small community lending, being close to the community, which seems different than having a bank become bigger and bigger and bigger until it gets ultimately bought by the biggest banks. Is there not some dissonance here?

Mr. Costello, I read your background. You successfully created or founded two banks, my understanding, both as CEO. You were able to exit those banks, I assume, by acquisition or by merger, I am not sure. Then you did talk about, at some point, there was a non-compete clause, so it gave you more emphasis to work on this banking situation. So, why do you not comment on that because, again, there seems to be some disconnect here.

Mr. COSTELLO. Sure, I would be happy to. I guess in my comments also, I talked about the value of the free enterprise system, so the value to create a business, start a business, be able to lend money in a local community, but also grow that business and then eventually maybe sell that business and make money for your in-

vestors and for your people that work at the bank. I did it twice, so then I went out and I started another de novo. I think that dynamic process needs to occur to keep the system——

Mr. VARGAS. I understand that, but if you take it to its logical conclusion, I mean, you start one bank, it is successful, you start a second one, successful. You are on your third one, and I hope it is successful for you and for the people you represent. Would it not then be more efficient just to allow the big, giant bank to bank all these groups, Just allow them to swallow up all the small banks, the community banks? Would there not be efficiency there? They talk about technology. I do not think so, personally. I think everyone has a place, but it seems like the logical conclusion. If you believe in this sort of unbridled capitalism that you just talked about, we will just keep growing it and selling it to the bigger guy until the biggest guy owns everything.

Mr. COSTELLO. That is not what I advocate at all. That is not what not what I said at all. What I am talking about is——

Mr. VARGAS. No, but I mean, that is the logical conclusion of growing a business and selling it——

Mr. COSTELLO. You may think that is a logical conclusion. I would——

Mr. VARGAS. I do. I do, if you keep being effective and efficient. I am a car guy. I can tell you, way back when, in the 1910s or so, you had a whole bunch of different car makers. You had, like, 20 of them in the United States. Now we are down to about four. Why? Because the big ones bought everything up. As they got bigger and bigger, they got more effective and efficient at building cars. So, the Packards are gone. You do not have Duesenbergs. You do not have Cords. You do not have a whole bunch of cars that used to exist. There is no Franklin, no Morgan, no Stanley Steamer. None of these cars exist anymore because the natural conclusion was that they kept growing bigger and bigger and bigger. Now you have Tesla competing, but again, it took so many decades.

I am going to go to somebody else now because I do want to talk about CDFIs. CDFIs are proposed to take a big hit. Now, Mrs. Young, could you comment on that because I think that is problematic.

Mrs. YOUNG. Yes, definitely. The CDFIs play a critical role, especially when it comes to microlending. With the cuts that are being proposed for CDFIs, it will put additional needs on banks and credit unions to serve populations that CDFIs——

Mr. VARGAS. My time is up. I just wanted to say again, I believe in small banks, I believe in community banks, I believe in credit unions, but there is some dissonance in some of the comments that were made here, in my opinion. Thank you.

Chairman BARR. The gentleman from Pennsylvania, Mr. Meuser, is now recognized for 5 minutes.

Mr. MEUSER. Thank you, Chairman. Thank you to all of you very much.

Thanks to some very strong appointments to the Federal Reserve System (Fed), OCC, the FDIC, we finally have an opportunity to reshape banking regulations that promote competition, reduce costs, and expand access to access to capital. Drawn-out bank merger reviews by regulators and the lack of de novo charters have

stifled entry, shrinking new bank formations from 132 per year from 2000 to 2009 to fewer than six per year since 2010. Today, we can build on the Trump Administration's push for better and more competitive banking. This starts by creating hard deadlines and application reviews, the return of expedited approval pathways, clear rules, and incentives for new mutual banks, and checking your ideology at the door. Ms. Usategui, there has been only one mutual bank formed in the last 50 years. Can you explain why de novo mutual banks are so rare and how can we fix this problem?

Ms. USATEGUI. Thank you for the question. I am not quite sure why those folks would choose not to go that path. I know there was a huge crisis in the 1980s, and so many folks now, I think, want to be part of either a State-regulated bank or the OCC just based on familiarity. I mean, that is the banks that most of us have been a part of. Going through this process, it is tedious enough that you want to make sure that you are aligning yourselves with regulators that understand your business plan and will be supportive of the application process. It took us over 19 months from the time that we had decided to start BankMiami to opening, and so being very closely aligned with regulators that have that same opinion and understanding of the process to make it all the faster is quite significant and important?

Mr. MEUSER. All right. Thank you. Ms. Allexon, why are other models for bank formation preferred under current rules, and what tools should Congress give mutuals if we would like them to be formed successfully?

Ms. ALLEXON. Just to clarify, you are talking about a mutual charter?

Mr. MEUSER. Yes.

Ms. ALLEXON. Okay. That is a specialty type of charter that is very common in the Massachusetts area. Those are charters that are owned by, like, individuals.

Mr. MEUSER. Right.

Ms. ALLEXON. It is different than a normal commercial bank charter.

Mr. MEUSER. Yes.

Ms. ALLEXON. They are difficult to organize because of the disclosure obligations and the reporting that comes along with that, so it is a little bit clunky. Those rules have not been updated in a very long time. They used to be supervised by the Office of Thrift Supervision, which obviously was eliminated during Dodd-Frank. They have been decreasing in size over time, so I think that they are just not a priority for either the OCC or the Federal Reserve?

Mr. MEUSER. All right. Thank you. Mr. Costello, how and why do regulators stall merger applications indefinitely without issuing formal denials?

Mr. COSTELLO. That can be very problematic for any bank. Obviously, when you are operating in that period of time between the approval and when everybody knows that there is a merger occurring, that there is talks occurring, it is very hard to operate your business in that environment when there is that much uncertainty, hold on to your employees, rumors, all these things. It is really a difficult situation for any bank to go through.

Mr. MEUSER. So, why do they do it, just for the purpose of keeping it from happening?

Mr. COSTELLO. I cannot tell you. I have no idea.

Mr. MEUSER. Okay. Hopefully, we can change that. Can you describe the single biggest cost a bank faces—I guess it is obvious—when a regulator lets a merger sit in limbo for 90 days?

Mr. COSTELLO. Yes, it is definitely going to impact the situation, and I think anything—

Mr. MEUSER. General activity, yes.

Mr. COSTELLO. Yes.

Mr. MEUSER. Everything in general.

Mr. COSTELLO. I think the hardest thing is being able to hang on to your employees during a period like that—

Mr. MEUSER. Yes.

Mr. COSTELLO [continuing]. and customers.

Mr. MEUSER. Yes. Okay. That certainly makes sense for all businesses. Mr. Berlau, can you describe the describe the Trump Administration's/OCC's 15-day deemed-approved pathway?

Mr. BERLAU. This is involving mergers and acquisitions. To tell you the truth, I am not that familiar with it, but I like the fact that Chairman Hood rescinded the policy of the Biden Administration against mergers, and I am interested in learning more about that. I think, generally, it is good to relax the red tape around mergers and acquisitions so that you can have regional banks be able to compete with megabanks, and for safety and soundness reasons, as I said.

Mr. MEUSER. Yes. The Biden Administration removed the pathway, but we will move on, which kept mergers from taking place. Mr. Chairman, my time has expired. I yield back.

Chairman BARR. The gentleman from Illinois, Mr. Casten, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, and I appreciate the chairman calling this hearing. I think this is the second one. I forget if it was this term or last, but the last time we had a hearing on this topic was with regulators, so I appreciate having practitioners on the other side of this.

When we had the regulators here before, one of the pieces that struck me as interesting was this tension between bank stability and antitrust enforcement, and I guess I would love to start with you, Ms. Allexon. When you were at the Federal Reserve, when you were reviewing a bank merger, was there a standard protocol? You have the bank stability jurisdiction. The Department of Justice (DOJ) has the antitrust. Was there a standard protocol that you guys worked together? Was it situation-specific? Without getting into the details, like, how do the two separate regulators balance that tension?

Ms. ALLEXON. On the competition factor?

Mr. CASTEN. Yes.

Ms. ALLEXON. Yes. Under Federal law, there is dual jurisdiction over the competition factor on bank merger transactions, so the Federal Reserve or the other primary regulator that is handling the bank-level merger transaction reviews the competitive implications of it, and the Department of Justice reviews it separately.

They have slightly different approaches to it, but in the end, they usually come out close enough together.

Mr. CASTEN. I have two questions that I struggle with, and maybe Mr. Costello is the best for this, but if you have one, chime in, as well. Let us imagine that you have a town with two regional banks in it, two small local banks. They want to merge together, right?

Ms. ALLEXON. Yes.

Mr. CASTEN. Locally, that is an antitrust concern.

Ms. ALLEXON. Yes.

Mr. CASTEN. On the other hand, if that growing bank needs capital and says, well, if I merge with a bigger out-of-town bank, it is not an antitrust issue, but now, I have one fewer community bank, right?

Ms. ALLEXON. Yes.

Mr. CASTEN. Mr. Costello, I am not asking you asking you to, like, divulge your long-term plans, but if you were to grow, would you not have a bias to look for an out-of-town buyer?

Mr. COSTELLO. I do not think so, necessarily. Fort Lauderdale, Florida, in Broward County—

Mr. CASTEN. Okay. Maybe you are in a big enough community—

Mr. COSTELLO. Yes, it is a pretty urban—

Mr. CASTEN. I guess then, Ms. Allexon, like, how do the regulators think about that tradeoff, because is that not going to hurt—

Ms. ALLEXON. Yes. Yes, so—

Mr. CASTEN [continuing]. like, the smaller communities and, therefore, the small community banks?

Ms. ALLEXON. It is. This is actually an issue that was debated in the original Bank Merger Act in 1960, so this issue was isolated a long time ago. Right now, the way that they are reviewed for competitive purposes is through their local market, so if there is a concentration there, it triggers a heightened scrutiny.

Mr. CASTEN. That is going to bias in favor of the out-of-town bank?

Ms. ALLEXON. Yes, yes. There is a bias against an out-of-town buyer, but it does not rule it out completely if there are reasons for it. If that smaller institution is having some trouble, or if there is, like, some really legitimate reasons for it, they can overcome that.

Mr. CASTEN. No, and I do not mean to be so short, but I am watching this clock.

Ms. ALLEXON. Yes.

Mr. CASTEN. Let me get to the bigger one. Whether it was JP Morgan buying First Republic, USB buying Credit Suisse, when a bank is about to fail and there is a bank run, we seem to ignore all antitrust concerns because we need to get this quickly into a bank that has the capitalization, has the sophistication to move quickly, and I am not saying that is wrong, right? I mean, goodness knows that all of us who have been through a banking crisis have appreciated that. Has there ever been a time in history when we have said we need the global systemically important bank (GSIB)

to buy this, but then we need to have some kind of a disgorgement process on the back end so as not to concentrate?

Ms. ALLEXON. So, divestitures are a remedy that are often used in bank merger transactions.

Mr. CASTEN. As stapled to the deal, right?

Ms. ALLEXON. Yes.

Mr. CASTEN. If we are sitting there saying, we need you to do this right now——

Ms. ALLEXON. Yes.

Mr. CASTEN. Lehman Brothers is failing, we need you to take over Lehman Brothers, but we need you to disgorge yourselves of those assets and get down to the asset level——

Ms. ALLEXON. Right then? Off the top of my head, I cannot think of that situation, but in just regular merger-and-acquisition transactions, divestitures are a solution that are frequently used when there is concentrations and you are trying to preserve local——

Mr. CASTEN. Then you have to have, like, after the fact, right?

Ms. ALLEXON. You have to have a signed purchase agreement before the agencies will act on it.

Mr. CASTEN. Okay. I would welcome, and we are tight on time, you or either Mr. Berlau because it feels to me to be inherently anticompetitive if we are providing essentially a one-way arbitrage risk that the big banks are the only ones who can buy in a merger. Like, if we could have some protocol to say that when we do that, as necessary, it would be good to have some kind of a mandate.

The last thing, and I was going to ask you, Mr. Berlau, but maybe I will just make the statement for the record and you can write in if you feel differently. Having spent a long time in the electric industry, I would be very cautious around some of these shot-clock rules. We have had a lot of public utility commissions that have been mandated that they have to approve rates within a finite period, and what it ends up doing is giving a huge advantage to the person who can file the most complicated, hard-to-digest hearing, which gives a big incumbency advantage and hurts smaller players, unless we staple that to significantly expanded funding for the regulators to do the enforcement.

Chairman BARR. The gentleman's time has expired. You can respond for the record. For the written record, yes. Time has expired.

Chairman BARR. The gentlewoman from California, Mrs. Kim, is now recognized——

Mr. CASTEN. Welcome your thoughts in writing.

Chairman BARR [continuing]. for 5 minutes.

Mrs. KIM. Thank you, Chairman and Ranking Member, for hosting this hearing, and I want to thank all the witnesses for joining us today.

As I have said before, I am gravely concerned with the decline of community banks across our country and specifically in California. Over the last few hearings on this topic, we have learned that a reduction in banking services can result in decline in small business lending and increased costs that are forced upon the consumers. Unfortunately, the current banking regulatory climate has disincentivized mergers that would preserve banking services and the formation of new banks. Mr. Costello, I know that you have founded not one, but two banks over the last 20 years, so I want

to ask you, what were the biggest differences in the regulatory regime that you experienced when you founded your bank, Locality Bank, in 2022?

Mr. COSTELLO. First, let me say, instead of going the de novo route in 2022, we were trying to buy a bank because it would have been easier to go out and buy a bank than go through that whole process, but we could not, and so we decided to do the de novo route. The biggest issue for me was the capital requirement was double what it was just a few years earlier, 13 years earlier. I would also say it was interesting because the bank in 2009, the de novo period became 7 years at that time, after the great financial crisis, and then fortunately, it was reduced back to 3 years, which is what we just went through, but I also questioned, who determines that 3 years? Who determines 7 years?

Mrs. KIM. Uh-huh.

Mr. COSTELLO. Where do they come up with these de novo periods? I think that is a thing that should be looked at, as well, along with capital.

Mrs. KIM. Yes, let me focus on that, the business plan that you are required to submit for a new bank formation. I understand that these plans are expected to endure from submission to 3 years of operation. Mr. Castello, through your experience, how often does there arise a time when a leadership team may need to refine a business plan?

Mr. COSTELLO. I think we all know in business that nothing is static. Things are constantly changing. During the time since we operated, we went through the Silicon Valley Bank (SVB) failure and the deposit crisis. I think you are constantly having to, in any business, update your business plan, so I think the faster we can have regulators react to those changes would be a lot easier for us.

Mrs. KIM. How do regulators react when you inform them that you need to make a change?

Mr. COSTELLO. I think it depends on the change, obviously. We did not have any real structural changes. We did not enter any new businesses.

Mrs. KIM. Uh-huh.

Mr. COSTELLO. Most of our changes revolved around modifying our budget, and I would say that, other than for the length of time it took, they were responsive.

Mrs. KIM. Ms. Usategui, are you hesitant to change your business plan at BankMiami because of the concerns that we are discussing?

Ms. USATEGUI. We are only 2 months old, so I have not had to have been presented with that problem just yet, but as Keith mentioned, markets change, and not to say I am hesitant. I have a great relationship with the regulators, but how quickly they respond is a concern because sometimes, on a whim, we will get presented with a new opportunity that we want to have an answer to be able to act quicker, that may actually help strengthen the community bank. Without having a clear timeline on response, and, honestly, having to recreate a whole new business plan in some cases, depending on how big of a change it is, it could be, I do not want to say detrimental to the bank, but it could significantly im-

pact the potential of new earnings and gathering more capital through that process.

Mrs. KIM. Thank you. As someone who founded and operated my own small business, changing my business plan was not a sign of increased risk, but a testimony to my adaptability and desire to succeed. It is disappointing to hear that some of the regulators may not see it the same way.

Now, I want to shift gear and highlight the importance of diversity in banking business models for consumers. Mrs. Allexon—sorry—when a consumer has access to large, midsize, and community banks and credit unions, how do these options benefit a consumer?

Ms. ALLEXON. It is just variety of choices. Each of those institutions offers different sets of products and services. Some are competitive with each other, but you can just pick and choose for yourself. It is not one-stop shopping, but you can choose between different parties for different financial needs. Also, I think we have to consider other nonbanking fintech providers or just nonbanking providers, too. All of these provide different financial services options that people can pick and choose for all of their different needs.

Chairman BARR. The gentlewoman's time has expired.

Mrs. KIM. Thank you.

Chairman BARR. The gentleman from Texas, Mr. Green, is now recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I thank the witnesses for appearing, and having been a litigator for some point in my life, we engaged in a process known as *voir dire*, or *voir dire*, depending on where you are from. I am told it is a French term that means to speak the truth. Hence, this will become a truth-telling moment for you, members of the panel. If you believe that invidious discrimination in banking exists—meaning that some people get discriminated against simply because of the way they look, color of skin—if you believe that it exists, kindly extend a hand into the air?

[Hand raised.]

Mr. GREEN. Take a photograph of that, please, sir. Keep your hand up, please, ma'am. I have in my office a series of pictures and I have under these pictures, ask me about this picture. I was interviewed yesterday, and I had to go through about a dozen of them to explain the pictures. Let the record reflect that but one person, Mrs. Young, believes that invidious discrimination exists in banking. I would challenge my colleagues across the aisle to engage in a testing process to get the latest empirical evidence of what Mrs. Young has experienced, what I have experienced.

As a brief vignette, some years ago, when I was a neophyte lawyer, went in, received a loan. Paid it back early, never late with a payment. Went back to get a second loan. The loan officer at that time denied us the loan. Four lawyers, denied the loan. Paid a loan back early, never late. The query was why, and the answer was because you should not have received the first loan. Invidious discrimination in banking. Can any of you on the panel recall or recount a time in the history of this country when we had sufficient number of minority banks?

[No response.]

Mr. GREEN. Would you get the shot, please? Let the record reflect that no one can recall or recount a time. Can anyone explain to me how this legislation that we are currently considering as it relates to de novo banks, how it can improve and help us with minority banks, banks in Black neighborhoods and Latino neighborhoods? Yes, it will probably help us with rural and others, but can you give me some rationale as to how it is going to help us get more Black banks, please?

Mr. BERLAU. Congressman Green, yes, I believe I can.

Mr. GREEN. I welcome your word, sir. Just be terse and laconic, pithy, and concise.

Mr. BERLAU. Thank you. Yes, I am not familiar with the specifics of all of Mrs. Young's application, but I think she was talking about some of the same things as rural banks face, requiring too much upfront capital—

Mr. GREEN. I understand, but if I may, please.

Mr. BERLAU. Yes.

Mr. GREEN. If I may intercede, and you are being very kind to me, so I do not mean to be rude, crude, and unrefined, but that will not help with the problem that Black people have with starting banks. It really is a money problem. How does that help us get more people who can raise this large sum of money necessary to start a de novo bank?

Mr. BERLAU. I do not know that it would solve all the problems.

Mr. GREEN. I am not talking about all. Let's talk about one in particular that we all seem to have who are of color, and that is money.

Mr. BERLAU. If you need less money in front and you have phased-in capital, I think that would help—

Mr. GREEN. If you have what?

Mr. BERLAU. If you have phased-in capital, like the bill does, rather than having to put, like, I think the gentleman here mentioned, like, say, \$4 million, and then it was twice as much, the others. I think all of the sort of entrepreneurs outside the system who have trouble raising that kind of money, this would be a benefit, too.

Mr. GREEN. I have 22 seconds, and I concur with you that phased-in is better. I prognosticate that, with phased-in, you will not phase in very many banks that will be owned by African Americans. It looks good on paper, but when you are talking about millions, it does not benefit people who do not have millions, and this has been a problem for us since our arrival here. We have integrated things, but we have not integrated the money.

Chairman BARR. The gentleman's time has expired.

Mr. GREEN. I am for integrating everything, and that includes the money.

Chairman BARR. The gentleman's time has expired.

Mr. GREEN. Thank you, Mr. Chairman.

Chairman BARR. The gentleman from North Carolina, Mr. Moore, is now recognized for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman. For decades, America's community banks and credit unions have served, really, as a critical lifeline for small businesses, for rural communities, and for

working families, but one thing that struck me is that the ability to form new banks has nearly vanished. Some interesting statistics: from 2000 to 2009, over 1,300 new banks were chartered in the United States. That is an average of 132 per year, but get this: since 2010, only 88 new banks have been formed. Some States have not even seen a new bank chartered in years, but that is not because there is less demand or anything like that. It is the need for community-oriented banking remains high.

What the problem is, from what I understand, is the current regulatory framework, that instead of promoting competition, it actually entrenches incumbency and discourages innovation and natural and organic growth. My understanding is it is now prohibitively difficult for new entrants to navigate the process, to raise sufficient capital and achieve long-term viability. Questions just a moment ago had to do with about different banks, about folks who maybe have been either underserved or underrepresented being able to have banks and so forth. What it looks like to me is that part of the regulatory framework that is in there actually is part of the problem that is reducing the incentive for new banks to form and for banks to grow.

My first question would be to Ms. Usategui, and I apologize if I mispronounced your name—I am sorry—but you have helped build new banks from the ground up. What are the most burdensome or outdated regulatory barriers that you faced in securing a charter?

Ms. USATEGUI. Thank you for the question. I still believe that capital is the number one challenge of de novo banks. The high amount of capital that is required nowadays is much larger than many of people can put to work. Back before the financial crisis, as Mr. Costello has attested, in my prior organization, we only had to raise about one-third that, and so I think the biggest barrier of entry right now is the capital component.

I think the second one, in terms of regulatory scrutiny, like, we have had a great relationship with our regulators. I do believe the process is burdensome. The application process in some ways is duplicative between both agencies. I think streamlining that could be very efficient in producing, I think, more opportunity for people to form new banks, but the cost, too, is significant because we do not have a set timeline. Usually, you need to identify a CEO, a CFO, your chief banking officer, along those lines, and you need to pay them to be part of this. So, the longer the application process is drawn out, the more expensive the organizational expenses become, which then, in turn, requires more capital to hit those minimal capital requirements. I think streamlining the process and making sure there are set deadlines of when a regulator needs to accept an application or at least respond to the acceptance of an application, could be very beneficial in new bank formation.

Mr. MOORE. Let me ask you this. Do you think that a requirement that Federal agencies publish annual public reports detailing the number, the status, and the processing timelines of depository charter applications, holding company approvals and deposit insurance requests, help bring transparency to the current process and identify where the reforms are needed?

Ms. USATEGUI. I think it could help, but I think the biggest challenge is really that period of time from when an application is sub-

mitted to when it is accepted. There are timelines already in place once an application is accepted to once it needs to be responded to on an approval process, but that initial timeframe is really the biggest challenge on the unknown.

Mr. MOORE. As I understand, even after a bank secures the approval, the regulatory environment really remains challenging. For the first 3 years, for example, new banks are subjected to heightened scrutiny. I believe they have to seek prior approval for any changes in senior management, subject to the enhanced reporting obligations, and often required to maintain capital levels that are significantly above regulatory minimums. This level of regulatory micromanagement really crushes innovation and makes entrepreneurship and banking an uphill battle. Mr. Costello, you were involved in one of the last banks chartered in Florida. In your experience, how do these post-charter rules affect your ability to grow, attract talent, or adapt to market demands?

Mr. COSTELLO. Yes, that is a great question. I will say, when you become a new bank, you are subject to an exam every 6 months, and then on top of that, you have internal audits, external audits. We would go from one exam, and we would exit one exam and we would start another one. I would also like to echo what Mary said. The regulators we dealt with have been great. It is the regulations that need to be changed.

Chairman BARR. The gentleman's time has expired.

Mr. MOORE. Thank you.

Chairman BARR. The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman, and thank you to each of the witnesses for joining us today.

Today's hearing is important as Congress and regulators consider how current rules impact mergers and acquisitions in the banking sector, especially for midsized banks. Complex, overlapping regulations make the merger and acquisition (M&A) process costly and time-consuming, often discouraging midsize banks from pursuing strategic mergers. To ensure a competitive and resilient banking sector, we need to reassess these regulations and create a more streamlined process that allows midsize banks to grow and better serve their communities. A barbell banking system, dominated by very large and very small banks, could reduce competition, threaten financial stability, and harm consumers and businesses. Last year, the U.S. Chamber of Commerce published a white paper titled, "Antimerger Regulatory Proposals Threaten U.S. Financial Markets," which underscores the importance of bank M&A for the stability and growth of our financial system.

Ms. Allexon, given the current competitive landscape, can you elaborate on how bank mergers and acquisitions contribute to financial stability and consumer choice? Specifically, how might the Biden-era M&A guidelines disproportionately affect midsize banks, potentially leading to a barbell banking system dominated by large national banks and small community banks?

Ms. ALLEXON. Yes. Strategic combinations diversify banks' product offerings and the geographic reach of banks. This allows banks to provide more products and services to a wider array of people, and that creates a more stable and diversified funding base and an

asset mix, and that leads to a more safe and sound bank. It also enables particularly midsize banks to, while simultaneously being able to continue to compete in the local market that they grew up in, be more viable competitors to larger institutions.

Mr. TIMMONS. Thank you for that. If midsize banks continue to face disproportionate regulatory hurdles in the merger process, what are the potential long-term consequences for access to credit?

Ms. ALLEXON. It stifles business growth, right, and it also forces more borrowers and more customers to financial products that are outside of the regulatory system. Like, we see the growth in private credit is one of those places, and while those are all viable financial services, we have to think, in the future, like, what direction is our bank regulatory system going? As more and more things get outside of the system and our banking system becomes smaller and smaller, our ability to make sure that it operates in a safe and sound way collectively decreases.

Mr. TIMMONS. Thank you for that. As we consider rolling back many of the overbearing regulations from the Biden Administration, it is crucial that we focus not just on identifying the issues, but also on finding practical solutions to address them. By doing so, we can create a regulatory environment that supports growth and innovation while ensuring that consumer protections remain intact. The OCC's 2024 merger guidance document is a key place to start. By eliminating the expedited merger approval process, the Biden Administration removed important efficiencies that were already built into the system. I could easily spend my entire 5 minutes outlining the numerous provisions in this guidance that slow down the merger process and place unnecessary burdens on institutions seeking to grow or consolidate responsibly, but I want to ask you, Mr. Costello, regarding the OCC specifically, which other rulemakings do you believe are most negatively impacting the bank merger process, and what practical solutions would you recommend to help this space thrive?

Mr. COSTELLO. I would defer to Ms. Allexon on that question, really. I do not have a lot of experience with the OCC and mergers.

Mr. TIMMONS. Sure. Great. Thanks.

Ms. ALLEXON. I can answer that. There are a couple different things, and it is true across the different banking agencies. They need to think a little bit harder about their internal processes and the types of information that they get on applications and how it is considered and their decision making chain throughout their organization. There is some really easy things that they could do to streamline that. Like, the shot-clock legislation is a good step in that direction, but internally, they could create more expedited processes, dedicated applications, calendars, and change their delegation criteria to speed up processing.

Mr. TIMMONS. Thank you for that. Finally, I am glad to see Chairman Barr's bill, the Financial Institution Regulatory Tailoring Enhancement Act, included in today's hearing. This bill rightly acknowledges that a one-size-fits-all regulatory approach does not work for our diverse financial system. By raising the asset threshold from \$10 billion to \$50 billion, it ensures that smaller and regional financial institutions are not burdened with the same complex regulations designed for the largest systemically important

institutions. This targeted relief will allow community banks and credit unions to focus on what they do best serving families, small businesses and local economies, while still maintaining strong oversight where it is truly needed. With that, thank you, Mr. Chairman. I yield back.

Chairman BARR. The gentleman yields The gentleman from Wisconsin, Mr. Fitzgerald is now recognized for 5 minutes?

Mr. FITZGERALD. Thank you, Chair. Ms. Allexon, as consolidated trends continue in the banking sector, we should be supporting mergers that enable regional banks to grow and better serve their communities in the face of regulatory and market pressures. As Congress considers reforms, can you explain how bank mergers, especially those involving kind of the midsize regional banks, help promote a healthier, more competitive banking system?

Ms. ALLEXON. Sure. Sure. There are a number of reasons why midsize banks enter into combinations, but those strategic mergers can create economies of scale that offset regulatory and compliance costs, and this creates space for more innovation and investment in systems and technologies that we all know are essential moving forward. As I just noted before, it also diversifies their product offerings and their geographic markets, and that creates a more stable, diversified funding base and asset mix that just creates a more stable, strong financial institution. That in turn allows them to be more competitive against large banks with national footprints, but it also simultaneously allows them to stay competitive within the local geography that they grew up in.

Mr. FITZGERALD. In your role, as you advise financial institutions, do you think it is time we modernize how competition is evaluated in the bank mergers to reflect a broader range of financial service providers in the market, so decisions are based on real-world dynamics?

Ms. ALLEXON. Yes, I believe that there is a general consensus that the current analysis used to review the competitive factors should be modernized. I talked about this a little bit in my written testimony, but we have clearly transitioned away from a very competitively isolated banking market into something that is totally different, and the historic approach that the agencies used, including the Department of Justice, to evaluate mergers is completely dependent on market deposits. We need to look at a wider array of competitors, nonbank competitors and online deposits in order to get a true, accurate picture of what the competitive market looks like.

Mr. FITZGERALD. Chairman, this is the point in the hearing where I promote my own piece of legislation, and that is why I plan to introduce the Bank Competition Modernization Act, which would categorize credit unions, fintechs, farm credit companies for the purposes of concentration analysis and bank mergers. The Bank Competition Modernization Act brings much-needed reform to how bank mergers are reviewed by making sure regulators consider the full scope of today's competitive financial landscape. Right now, community and regional banks are being evaluated as if they are the only complete piece in these regions, ignoring the massive growth of credit unions, fintech, and farm credit institutions that offer similar products. The bill ensures that all major players are

accounted for in merger reviews, creating a fairer, more accurate process. By modernizing these outdated standards, we can reduce unnecessary regulatory roadblocks and support local banks and promote financial systems.

I will just ask a final question of Ms. Allexon. Can you discuss some of the implications of the OCC and the FDIC's 2024 guidance and what effect would it have had on bank merger application reviews if it had not been for Trump's administrators, the rescissions that now are happening?

Ms. ALLEXON. So, those policy statements created a chilling effect on bank mergers. It is not the only factor that led to a decrease in bank consolidation over the last number of years. There has been economic factors that have supported that as well, but having inconsistency in policies with respect to bank mergers only created more insecurity with whether or not to proceed with the transaction. They are costly. They are time consuming. If you are not going to get favorable treatment, then it is nerve wracking for institutions to proceed.

I think the other thing that those policy statements did is they kind of created a presumption that parties were starting from a negative position. If you are filing an application, and everybody is starting from a neutral position, and you have to justify your factors, that is how the system has always worked. If you are starting from behind, if there is an assumption that the transaction is bad to begin with, it is just the further you have to travel. It is very difficult to draft guidance. Every word means something. It is like legislation, every word means something, and so I think just guidance has to be very careful that you are not inadvertently creating presumptions like that?

Mr. FITZGERALD. Thank you very much. I yield back.

Chairman BARR. The gentleman yields. First, I would like to thank all of our witnesses for your testimony today and taking time to come and be before the committee.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the chair. The questions will be forwarded to the witnesses for their response, and, witnesses, please respond no later than June 20, 2025.

[The information referred to can be found in the appendix.]

Chairman BARR. With that, this hearing is adjourned.

[Whereupon, at 4:17 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD

Questions for the Record
Subcommittee on Financial Institutions of the
Committee on Financial Services Hearing, entitled:
“Enhancing Competition: Shaping the Future of Bank Mergers and De Novo formation.”
May 14, 2025

Ranking Member Waters:

Mr. Keith Costello,

1. Which of the following options best describes your self-identified race? (You may choose more than one.)
- a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

ANSWER: White or Caucasian

2. Which of the following options best describes your gender identity?
- a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

ANSWER: Man

Questions for the Record
Subcommittee on Financial Institutions of the
Committee on Financial Services Hearing, entitled:
"Enhancing Competition: Shaping the Future of Bank Mergers and De Novo formation."
May 14, 2025

Ranking Member Waters:

Mrs. Mary Usategui,

1. Which of the following options best describes your self-identified race? (You may choose more than one.)
- a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

ANSWER: A – White or Caucasian

2. Which of the following options best describes your gender identity?
- a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

ANSWER: A - Woman

June 20, 2025

Dear Chairman Hill and Ranking Member Waters,

Thank you so much for inviting me to testify on May 14 on behalf of my organization, the Competitive Enterprise Institute, at the hearing entitled "*Enhancing Competition: Shaping the Future of Bank Mergers and De Novo formation.*"

This letter is in response to the list of two questions from Ranking Member Waters, asking about my self-identified race and about my gender identity.

In answer to her first question -- "Which of the following options best describes your self-identified race?" -- I choose option G, "prefer to self-describe (please specify)." I specify my ethnicity as that I am an Ashkenazi Jew of Central and Eastern European descent.

In answer to her second question -- "Which of the following options best describes your gender identity?" -- I choose option B, "man."

Should you or members of your staff wish to discuss these questions or the policy topics raised in the hearing further with me, please free to contact me at (202) 331-2272 or john.berlau@cei.org

Sincerely,

John Berlau

A handwritten signature in black ink, appearing to read "John Berlau". The signature is fluid and cursive, with a large initial "J" and a stylized "B".

.....
(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To specify when the record is complete on certain merger and acquisition applications related to depository institutions and depository institution holding companies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee
on _____

A BILL

To specify when the record is complete on certain merger and acquisition applications related to depository institutions and depository institution holding companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Bank Failure Preven-
5 tion Act of 2025”.

1 **SEC. 2. COMPLETE RECORD ON AN APPLICATION.**

2 (a) BANK HOLDING COMPANIES.—Section 3(b)(1) of
3 the Bank Holding Company Act of 1956 (12 U.S.C.
4 1842(b)(1)) is amended—

5 (1) by striking “Upon receiving” and inserting
6 the following:

7 “(A) IN GENERAL.—Upon receiving”;

8 (2) by striking “required” and inserting “ac-
9 quired”;

10 (3) by striking “In the event of the failure of
11 the Board to act on any application for approval
12 under this section within the ninety-one-day period
13 which begins on the date of submission to the Board
14 of the complete record on that application, the appli-
15 cation shall be deemed to have been granted.”; and

16 (4) by adding at the end the following:

17 “(B) COMPLETE RECORD ON AN APPLICA-
18 TION.—

19 “(i) NOTICE TO APPLICANT.—Not later
20 than 30 days after the date on which the Board
21 receives an application for approval under this
22 section, the Board shall transmit to the appli-
23 cant a letter that either—

24 “(I) confirms the record on the appli-
25 cation is complete; or

1 “(II) details all additional information
2 that is required for the record on that ap-
3 plication to be complete.

4 “(ii) EXTENSION OF NOTICE.—Notwith-
5 standing clause (i), the Board may, if an appli-
6 cation is complex, extend the 30-day period de-
7 scribed under clause (i) for an additional 30
8 days.

9 “(iii) RECEIPT OF RESPONSE; DEEMING OF
10 COMPLETE RECORD.—Upon receipt of a re-
11 sponse from an applicant to a notice requesting
12 additional information described under clause
13 (i)(II), the record on the application shall be
14 deemed complete unless the Board—

15 “(I) determines that the applicant’s
16 response was materially deficient; and

17 “(II) not later than 30 days after the
18 date on which the Board received the re-
19 sponse, provides the applicant a detailed
20 notice describing the deficiencies.

21 “(iv) TREATMENT OF THIRD-PARTY INFOR-
22 MATION.—In determining whether the record on
23 an application is complete, the Board may take
24 into account only information provided by the
25 applicant, and may not base the determination

1 of completeness on any information (including
2 reports, views, or recommendations) provided by
3 third parties.

4 “(C) DEADLINE FOR DETERMINATION.—

5 “(i) IN GENERAL.—Notwithstanding sub-
6 paragraphs (A) and (B), the Board shall grant
7 or deny an application submitted under this
8 section not later than 90 days after the date on
9 which the application was initially submitted to
10 the Board, regardless of whether the record on
11 such initial application was complete.

12 “(ii) FAILURE TO MAKE A DETERMINA-
13 TION.—If the Board does not grant or deny an
14 application within the time period described
15 under clause (i), such application shall be
16 deemed to have been granted.

17 “(iii) TOLLING OF PERIOD.—The Board
18 may at any time extend the deadline described
19 under clause (i) at the request of the applicant,
20 but may not extend the deadline more than 30
21 days past the deadline described under clause
22 (i).”.

23 (b) SAVINGS AND LOAN HOLDING COMPANIES.—Sec-
24 tion 10(e) of the Home Owners’ Loan Act (12 U.S.C.
25 1467a(e)) is amended—

1 (1) in paragraph (2), by striking “, and shall
2 render a decision within 90 days after submission to
3 the Board of the complete record on the applica-
4 tion”;

5 (2) by redesignating paragraph (7) as para-
6 graph (9); and

7 (3) by inserting after paragraph (6) the fol-
8 lowing:

9 “(7) COMPLETE RECORD ON AN APPLICA-
10 TION.—

11 “(A) NOTICE TO APPLICANT.—Not later
12 than 30 days after the date on which the Board
13 receives an application for approval under this
14 subsection, the Board shall transmit to the ap-
15 plicant a letter that either—

16 “(i) confirms the record on the appli-
17 cation is complete; or

18 “(ii) details all additional information
19 that is required for the record on that ap-
20 plication to be complete.

21 “(B) EXTENSION OF NOTICE.—Notwith-
22 standing subparagraph (A), the Board may, if
23 an application is complex, extend the 30-day pe-
24 riod described under subparagraph (A) for an
25 additional 30 days.

1 “(C) RECEIPT OF RESPONSE; DEEMING OF
2 COMPLETE RECORD.—Upon receipt of a re-
3 sponse from an applicant to a notice requesting
4 additional information described under subpara-
5 graph (A)(ii), the record on the application
6 shall be deemed complete unless the Board—

7 “(i) determines that the applicant’s
8 response was materially deficient; and

9 “(ii) not later than 30 days after the
10 date on which the Board received the re-
11 sponse, provides the applicant a detailed
12 notice describing the deficiencies.

13 “(D) TREATMENT OF THIRD-PARTY IN-
14 FORMATION.—In determining whether the
15 record on an application is complete, the Board
16 may take into account only information pro-
17 vided by the applicant, and may not base the
18 determination of completeness on any informa-
19 tion (including reports, views, or recommenda-
20 tions) provided by third parties.

21 “(8) DEADLINE FOR DETERMINATION.—

22 “(A) IN GENERAL.—Notwithstanding any
23 other provision of this subsection, the Board
24 shall grant or deny an application submitted
25 under this subsection not later than 90 days

1 after the date on which the application was ini-
2 tially submitted to the Board, regardless of
3 whether the record on such initial application
4 was complete.

5 “(B) FAILURE TO MAKE A DETERMINA-
6 TION.—If the Board does not grant or deny an
7 application within the time period described
8 under subparagraph (A), such application shall
9 be deemed to have been granted.

10 “(C) TOLLING OF PERIOD.—The Board
11 may at any time extend the deadline described
12 under subparagraph (A) at the request of the
13 applicant, but may not extend the deadline
14 more than 30 days past the deadline described
15 under subparagraph (A).”.

16 (c) INSURED DEPOSITORY INSTITUTIONS.—Section
17 18(c) of the Federal Deposit Insurance Act (12 U.S.C.
18 1828(c)) is amended by adding at the end the following:

19 “(14) COMPLETE RECORD ON AN APPLICATION.—

20 “(A) NOTICE TO APPLICANT.—Not later than
21 30 days after the date on which the responsible
22 agency receives a merger application for approval
23 under this subsection, the responsible agency shall
24 transmit to the applicant a letter that either—

1 “(i) confirms the record on the application
2 is complete; or

3 “(ii) details all additional information that
4 is required for the record on that application to
5 be complete.

6 “(B) EXTENSION OF NOTICE.—Notwith-
7 standing subparagraph (A), the responsible agency
8 may, if an application is unusually complex, extend
9 the 30-day period described under subparagraph (A)
10 for an additional 30 days.

11 “(C) RECEIPT OF RESPONSE; DEEMING OF
12 COMPLETE RECORD.—Upon receipt of a response
13 from an applicant to a notice requesting additional
14 information described under subparagraph (A)(ii),
15 the record on the application shall be deemed com-
16 plete unless the responsible agency—

17 “(i) determines that the applicant’s re-
18 sponse was materially deficient; and

19 “(ii) not later than 30 days after the date
20 on which the responsible agency received the re-
21 sponse, provides the applicant a detailed notice
22 describing the deficiencies.

23 “(D) TREATMENT OF THIRD-PARTY INFORMA-
24 TION.—In determining whether the record on an ap-
25 plication is complete, the responsible agency may

1 take into account only information provided by the
2 applicant, and may not base the determination of
3 completeness on any information (including reports,
4 views, or recommendations) provided by third par-
5 ties.

6 “(15) DEADLINE FOR DETERMINATION.—

7 “(A) IN GENERAL.—Notwithstanding any other
8 provision of this subsection, the responsible agency
9 shall grant or deny a merger application submitted
10 under this subsection not later than 90 days after
11 the date on which the application was initially sub-
12 mitted to the responsible agency, regardless of
13 whether the record on such initial application was
14 complete.

15 “(B) FAILURE TO MAKE A DETERMINATION.—

16 If the responsible agency does not grant or deny an
17 application within the time period described under
18 subparagraph (A), such application shall be deemed
19 to have been granted.

20 “(C) TOLLING OF PERIOD.—The responsible
21 agency may at any time extend the deadline de-
22 scribed under subparagraph (A) at the request of
23 the applicant, but may not extend the deadline more
24 than 30 days past the deadline described under sub-
25 paragraph (A).”.

119TH CONGRESS
1ST SESSION

H. J. RES. 92

Providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Office of the Comptroller of the Currency of the Department of the Treasury relating to the review of applications under the Bank Merger Act.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2025

Mr. BARR (for himself, Mr. FITZGERALD, and Mr. MOORE of North Carolina) submitted the following joint resolution; which was referred to the Committee on Financial Services

JOINT RESOLUTION

Providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Office of the Comptroller of the Currency of the Department of the Treasury relating to the review of applications under the Bank Merger Act.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That Congress disapproves the rule submitted by the Of-
4 fice of the Comptroller of the Currency of the Department
5 of the Treasury relating to the review of applications
6 under the Bank Merger Act (89 Fed. Reg. 78207 (Sep-

85

2

1 tember 25, 2024)), and such rule shall have no force or
2 effect.

○

.....
(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To increase the asset thresholds at which financial institutions become subject to certain requirements, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee on _____

A BILL

To increase the asset thresholds at which financial institutions become subject to certain requirements, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Financial Institution
5 Regulatory Tailoring Enhancement Act”.

6 **SEC. 2. INCREASED ASSET THRESHOLDS.**

7 (a) BUREAU SUPERVISION.—Section 1025(a) of the
8 Consumer Financial Protection Act of 2010 (12 U.S.C.

1 5515) is amended by striking “\$10,000,000,000” each
2 place it occurs and inserting “\$50,000,000,000”.

3 (b) VOLKER RULE REQUIREMENTS.—Section
4 13(h)(1)(B)(i) of the Bank Holding Company Act of 1956
5 (12 U.S.C. 1851(h)(1)(B)(i)) is amended by striking
6 “\$10,000,000,000” and inserting “\$50,000,000,000”.

7 (c) QUALIFIED MORTGAGE REQUIREMENTS.—Sec-
8 tion 129C(b)(F)(i) of the Truth in Lending Act (15
9 U.S.C. 1639c(b)(F)(i)) is amended by striking
10 “\$10,000,000,000” and inserting “\$50,000,000,000”.

11 (d) LEVERAGE AND RISK-BASED CAPITAL REQUIRE-
12 MENTS.—Section 201(a)(3)(A) of the Economic Growth,
13 Regulatory Relief, and Consumer Protection Act (12
14 U.S.C. 5371 note (a)(3)(A)) is amended by striking
15 “\$10,000,000,000” and inserting “\$50,000,000,000”.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Board of Governors of the Federal Reserve System to issue rules to establish certain methodologies and scenarios used in stress testing, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Board of Governors of the Federal Reserve System to issue rules to establish certain methodologies and scenarios used in stress testing, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stress Testing Ac-
5 countability and Transparency Act”.

1 **SEC. 2. RULEMAKING RELATED TO STRESS CAPITAL BUFF-**
2 **ER REQUIREMENTS.**

3 (a) IN GENERAL.—Not later than 90 days after the
4 date of the enactment of this section, the Board of Gov-
5 ernors of the Federal Reserve System (in this Act referred
6 to as the “Board”) shall issue a rule to establish any mod-
7 els, assumptions, formulas, or other decisional methodolo-
8 gies that are used to determine any component or sub-
9 component of the stress capital buffer requirement for a
10 bank holding company.

11 (b) CHANGES.—The Board may only make changes
12 to the rule issued under subsection (a) through notice and
13 comment rulemaking.

14 (c) STRESS CAPITAL BUFFER REQUIREMENT DE-
15 FINED.—In this section, the term “stress capital buffer
16 requirement” has the meaning given the term in section
17 225.8(e) of title 12 of the Code of Federal Regulations.

18 **SEC. 3. RULEMAKING RELATING TO STRESS TESTING.**

19 (a) IN GENERAL.—Beginning in the first calendar
20 year beginning after the date of the enactment of this sec-
21 tion, the Board shall, not less than 30 days before con-
22 ducting a stress test pursuant to section 165(i) of the Fi-
23 nancial Stability Act of 2010, issue a rule to establish each
24 scenario to be used in such stress test.

25 (b) PROHIBITION.—The Board may not, by rule or
26 otherwise, subject any nonbank financial company to a cli-

1 mate-related stress test using the authority provided in
2 section 165(i) of the Financial Stability Act of 2010.

3 **SEC. 4. GAO REPORT.**

4 (a) IN GENERAL.—The Comptroller General of the
5 United States shall, every 3 years, conduct a study and
6 submit a report to the Congress with respect to the stress
7 tests conducted by the Board under section 165(i) of the
8 Financial Stability Act of 2010 in the 3 most recent cal-
9 endar years.

10 (b) CONTENTS.—The report submitted to the Con-
11 gress under subsection (a) shall consider the effectiveness
12 of the stress tests in evaluating—

13 (1) the safety and soundness of the nonbank fi-
14 nancial institutions subjected to stress tests;

15 (2) the stability of the United States financial
16 system.

.....
(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To amend the Federal Reserve Act to require the Board of Governors of the Federal Reserve System to carry out a review of discount window operations and to implement improvements to such operations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. DE LA CRUZ introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Federal Reserve Act to require the Board of Governors of the Federal Reserve System to carry out a review of discount window operations and to implement improvements to such operations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Bringing the Discount
5 Window into the 21st Century Act”.

1 **SEC. 2. REVIEW OF DISCOUNT WINDOW OPERATIONS.**

2 Section 10 of the Federal Reserve Act (12 U.S.C. 241
3 et seq.) is amended—

4 (1) by redesignating paragraph (12) as para-
5 graph (11); and

6 (2) by adding at the end the following:

7 “(12) REVIEW OF DISCOUNT WINDOW OPER-
8 ATIONS.—

9 “(A) IN GENERAL.—Not later than 60
10 days after the date of enactment of this para-
11 graph, the Board of Governors shall commence
12 a review of the discount window lending pro-
13 grams of the Federal reserve banks (the ‘dis-
14 count window’), and shall complete such review
15 not later than 240 days after the date of enact-
16 ment of this paragraph.

17 “(B) CONTENTS.—The review required by
18 subparagraph (A) shall include a consideration
19 of—

20 “(i) the effectiveness of the discount
21 window in providing liquidity to financial
22 institutions, including in times of financial
23 stress;

24 “(ii) whether the technology infra-
25 structure, including means of communica-
26 tions, are sufficient to support the timely

1 provision of liquidity, including in times of
2 financial stress;

3 “(iii) the effectiveness of cybersecurity
4 measures;

5 “(iv) the effectiveness of communica-
6 tions between Federal reserve banks re-
7 garding discount window operations;

8 “(v) the effectiveness of the Board of
9 Governors in providing oversight of the
10 discount window;

11 “(vi) how the discount window inter-
12 acts with other providers of liquidity, in-
13 cluding the Federal Home Loan Banks,
14 during both normal operations and times
15 of financial distress; and

16 “(vii) the effectiveness of existing dis-
17 count window operating hours and whether
18 such hours should be expanded, taking into
19 account the interaction between discount
20 window operating hours and the operating
21 hours of payment systems of the Board of
22 Governors and Federal reserve banks, such
23 as FedWire and FedNow.

24 “(C) PUBLIC COMMENT.—In carrying out
25 the review required by subparagraph (A), the

1 Board of Governors shall provide the public
2 with an opportunity to comment on the effec-
3 tiveness of discount window operations and to
4 offer suggestions for improving operations.

5 “(D) REMEDIATION PLAN.—After com-
6 pleting the review required by subparagraph (A)
7 and considering any public comments received
8 pursuant to subparagraph (C), the Board of
9 Governors shall develop, and approve by a vote
10 of the Board of Governors, a written plan to re-
11 mediate any identified deficiencies or areas for
12 enhancing effectiveness of the discount window,
13 which shall include—

14 “(i) an identification of actions that
15 the Board of Governors will take to reme-
16 diate those deficiencies;

17 “(ii) timelines and milestones for im-
18 plementing the plan and measures to dem-
19 onstrate how the Board of Governors will
20 maintain implemented improvements on an
21 ongoing basis; and

22 “(iii) measures of managing and con-
23 trolling deficiencies until the plan is imple-
24 mented in full.

1 “(E) REPORT TO CONGRESS ON REVIEW
2 AND PLAN.—

3 “(i) IN GENERAL.—Not later than
4 365 days after the date of enactment of
5 this paragraph, the Board of Governors
6 shall, after approval by a vote of the Board
7 of Governors, submit a report to the Com-
8 mittee on Financial Services of the House
9 of Representatives and the Committee on
10 Banking, Housing, and Urban Affairs of
11 the Senate containing—

12 “(I) the findings of the review re-
13 quired by subparagraph (A); and

14 “(II) the remediation plan re-
15 quired by subparagraph (D).

16 “(ii) CONSULTATION.—Before submit-
17 ting the report required by clause (i), the
18 Board of Governors shall—

19 “(I) provide a copy of the pro-
20 posed report to the Comptroller Gen-
21 eral of the United States and the In-
22 specter General of the Board of Gov-
23 ernors of the Federal Reserve System
24 and the Bureau of Consumer Finan-
25 cial Protection; and

1 “(II) provide the Comptroller
2 General and Inspector General with
3 an opportunity to provide feedback on
4 the report.

5 “(iii) TESTIMONY.—The Chairman of
6 the Board of Governors shall testify before
7 the Committee on Financial Services of the
8 House of Representatives and the Com-
9 mittee on Banking, Housing, and Urban
10 Affairs of the Senate with respect to the
11 contents of the report required under this
12 subparagraph.

13 “(F) ANNUAL REPORTS TO CONGRESS.—

14 “(i) REPORTS BY THE BOARD.—The
15 Board of Governors shall submit an annual
16 report to the Committee on Financial Serv-
17 ices of the House of Representatives and
18 the Committee on Banking, Housing, and
19 Urban Affairs of the Senate containing a
20 review of the effectiveness of discount win-
21 dow operations.

22 “(ii) REPORTS BY THE INSPECTOR
23 GENERAL.—The Inspector General of the
24 Board of Governors of the Federal Reserve
25 System and the Bureau of Consumer Fi-

1 nancial Protection shall submit an annual
2 report to the Committee on Financial Serv-
3 ices of the House of Representatives and
4 the Committee on Banking, Housing, and
5 Urban Affairs of the Senate containing a
6 report on the progress of the Board of
7 Governors in implementing the remediation
8 plan required by subparagraph (D).

9 “(G) CONFIDENTIAL REPORT INFORMA-
10 TION.—Any report required under this para-
11 graph may contain a confidential annex con-
12 taining information that details any cybersecu-
13 rity deficiencies or any deficiencies which, if
14 made public, could cause financial instability.”.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Comptroller of the Currency to study how bank-fintech partnerships can support new bank formation, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee
on _____

A BILL

To require the Comptroller of the Currency to study how bank-fintech partnerships can support new bank formation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. OCC STUDY ON BANK-FINTECH PARTNERSHIPS.**

4 (a) STUDY.—The Comptroller of the Currency shall
5 carry out a study of—

6 (1) how bank-fintech partnerships can support
7 new bank formation, including how these partner-
8 ships reduce time to market for bank products and

1 services, lower compliance burdens, boost customer
2 acquisition, improve technological capabilities, and
3 provide access to more diverse funding sources; and

4 (2) what regulatory and legal uncertainties are
5 hindering these partnerships.

6 (b) REPORT.—Not later than 6 months after the date
7 of enactment of this Act, the Comptroller of the Currency
8 shall issue a report to Congress containing all findings and
9 determinations made in carrying out the study required
10 under subsection (a).

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Federal prudential regulators to study improving the growth, capital adequacy, and profitability of rural depository institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the Federal prudential regulators to study improving the growth, capital adequacy, and profitability of rural depository institutions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. STUDY ON IMPROVING THE GROWTH, CAPITAL**
4 **ADEQUACY, AND PROFITABILITY OF RURAL**
5 **DEPOSITORY INSTITUTIONS.**

6 (a) STUDY.—The prudential regulators shall, jointly,
7 carry out a study—

1 (1) to identify methods to improve the growth,
2 capital adequacy, and profitability of depository in-
3 stitutions in the United States; and

4 (2) to identify Government policies or regula-
5 tions that limit—

6 (A) the methods identified under para-
7 graph (1); or

8 (B) the establishment of de novo charters
9 for depository institutions, particularly in rural
10 areas.

11 (b) REPORT.—Not later than 6 months after the date
12 of enactment of this Act, the prudential regulators shall,
13 jointly, issue a report to Congress containing all findings
14 and determinations made in carrying out the study re-
15 quired under subsection (a).

16 (c) DEFINITIONS.—In this section:

17 (1) DEPOSITORY INSTITUTION.—The term “de-
18 pository institution” has the meaning given that
19 term in section 3 of the Federal Deposit Insurance
20 Act.

21 (2) PRUDENTIAL REGULATOR.—The term “pru-
22 dential regulator” means the Board of Governors of
23 the Federal Reserve System, the Comptroller of the
24 Currency, and the Federal Deposit Insurance Cor-
25 poration.

[DISCUSSION DRAFT]

119TH CONGRESS
1ST SESSION

H. R. _____

To require annual reports on Federal depository institution charter applications, bank holding company applications, Federal deposit insurance applications, and State depository institution charter applications, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require annual reports on Federal depository institution charter applications, bank holding company applications, Federal deposit insurance applications, and State depository institution charter applications, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. ANNUAL REPORT ON FEDERAL DEPOSITORY**

2 **INSTITUTION CHARTER APPLICATIONS.**

3 (a) IN GENERAL.—The Comptroller of the Currency
4 and the National Credit Union Administration Board
5 shall, jointly, publish an annual report that includes—

6 (1) the number of Federal depository institution
7 charter applications received, approved, denied, or
8 withdrawn;

9 (2) the average time to approve such applica-
10 tions; and

11 (3) common deficiencies in or reasons for denial
12 of such applications.

13 (b) FEDERAL DEPOSITORY INSTITUTION DE-
14 FINED.—In this section, the term “Federal depository in-
15 stitution” means—

16 (1) a national bank or a Federal savings asso-
17 ciation, as such terms are defined, respectively, in
18 section 3 of the Federal Deposit Insurance Act; and

19 (2) a Federal credit union, as defined in section
20 101 of the Federal Credit Union Act.

21 **SEC. 2. ANNUAL REPORT ON BANK HOLDING COMPANY AP-**
22 **PLICATIONS.**

23 The Board of Governors of the Federal Reserve Sys-
24 tem shall publish an annual report that includes—

1 (1) the number of applications to become a
2 bank holding company received, approved, denied, or
3 withdrawn;

4 (2) the average time to approve such applica-
5 tions; and

6 (3) common deficiencies in or reasons for denial
7 of such applications.

8 **SEC. 3. ANNUAL REPORT ON FEDERAL DEPOSIT INSUR-**
9 **ANCE APPLICATIONS.**

10 The Federal Deposit Insurance Corporation shall
11 publish an annual report that includes—

12 (1) the number of applications for deposit in-
13 surance received, approved, denied, or withdrawn;

14 (2) the average time to approve such applica-
15 tions; and

16 (3) common deficiencies in or reasons for denial
17 of such applications.

18 **SEC. 4. ANNUAL REPORT ON STATE DEPOSITORY INSTITU-**
19 **TION AND STATE CREDIT UNION CHARTER**
20 **APPLICATIONS.**

21 (a) IN GENERAL.—The Board of Governors of the
22 Federal Reserve System, the Federal Deposit Insurance
23 Corporation Board, and the National Credit Union Ad-
24 ministration Board shall, jointly, and in consultation with

1 State banking regulators and State credit union regu-
2 lators, publish an annual report that includes—

3 (1) the number of State depository institution
4 charter applications received, approved, denied, or
5 withdrawn by State banking regulators and State
6 credit union regulators;

7 (2) the average time to approve such applica-
8 tions; and

9 (3) common deficiencies in or reasons for denial
10 of such applications.

11 (b) STATE DEPOSITORY INSTITUTION DEFINED.—In
12 this section, the term “State depository institution”
13 means—

14 (1) a State bank or a State savings association,
15 as such terms are defined, respectively, in section 3
16 of the Federal Deposit Insurance Act; and

17 (2) a State credit union, as defined in section
18 101 of the Federal Credit Union Act.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Comptroller General of the United States to study the consideration of insured depository institution merger applications by Federal prudential regulators to ensure they align with statutory requirements and are not in any way influenced by political issues or considerations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require the Comptroller General of the United States to study the consideration of insured depository institution merger applications by Federal prudential regulators to ensure they align with statutory requirements and are not in any way influenced by political issues or considerations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. GAO STUDY ON INSURED DEPOSITORY INSTI-**
2 **TUTION MERGER APPLICATIONS.**

3 (a) STUDY.—The Comptroller General of the United
4 States shall carry out a study to determine whether in-
5 sured depository institution merger applications are re-
6 viewed by prudential regulators in an objective manner
7 that aligns with statutory requirements and is not in any
8 way influenced by political issues or considerations.

9 (b) REPORT.—Not later than 6 months after the date
10 of enactment of this Act, the Comptroller General shall
11 issue a report to Congress containing all findings and de-
12 terminations made in carrying out the study required
13 under subsection (a).

14 (c) DEFINITIONS.—In this section:

15 (1) INSURED DEPOSITORY INSTITUTION.—The
16 term “insured depository institution”—

17 (A) has the meaning given that term in
18 section 3 of the Federal Deposit Insurance Act;
19 and

20 (B) means an insured credit union, as de-
21 fined in section 101 of the Federal Credit
22 Union Act.

23 (2) PRUDENTIAL REGULATOR.—The term “pru-
24 dential regulator” means the Board of Governors of
25 the Federal Reserve System, the Comptroller of the
26 Currency, the Federal Deposit Insurance Corpora-

- 1 tion Board, and the National Credit Union Adminis-
- 2 tration Board.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Inspector General of each Federal prudential regulator to carry out a review every 3 years of the regulator's handling of insured depository institution merger applications, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Inspector General of each Federal prudential regulator to carry out a review every 3 years of the regulator's handling of insured depository institution merger applications, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. INSPECTOR GENERAL REVIEW OF THE HAN-**
4 **DLING OF INSURED DEPOSITORY INSTITU-**
5 **TION MERGER APPLICATIONS.**

6 (a) REVIEW.—Not later than 1 year after the date
7 of enactment of this Act, and every 3 years thereafter,

1 the Inspector General of each prudential regulator shall
2 review how effectively the prudential regulator balances
3 safety and soundness, competition, and the impact on
4 rural community access to financial services in reviewing
5 insured depository institution merger applications.

6 (b) REPORT.—Each Inspector General described
7 under subsection (a) shall, at the conclusion of each review
8 required under subsection (a), issue a report to Congress
9 containing all findings and determinations made in car-
10 rying out the review.

11 (c) DEFINITIONS.—In this section:

12 (1) INSURED DEPOSITORY INSTITUTION.—The
13 term “insured depository institution”—

14 (A) has the meaning given that term in
15 section 3 of the Federal Deposit Insurance Act;
16 and

17 (B) means an insured credit union, as de-
18 fined in section 101 of the Federal Credit
19 Union Act.

20 (2) PRUDENTIAL REGULATOR.—The term “pru-
21 dential regulator” means the Board of Governors of
22 the Federal Reserve System, the Comptroller of the
23 Currency, the Federal Deposit Insurance Corpora-
24 tion Board, and the National Credit Union Adminis-
25 tration Board.

