



January 20, 2026

Chief Counsel's Office  
Attn: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219

Re: Community Bank Licensing Amendments; Office of the Comptroller of the Currency RIN 1557-AF38, Docket ID OCC-2025-0273; 90 Fed. Reg. 51577 (Nov. 18, 2025)

Dear Ladies and Gentlemen:

Better Markets<sup>1</sup> appreciates the opportunity to comment on the proposal from the Office of the Comptroller of the Currency (“OCC”) to amend its rules related to policies and procedures to simplify licensing requirements for corporate activities and transactions involving national banks and Federal savings associations that have less than \$30 billion in total assets and satisfy certain conditions (“Proposal”).<sup>2</sup> While Better Markets supports the implementation of expedited or reduced filing procedures for true community banks, Better Markets strongly opposes the OCC’s definition of community banks used in the Proposal. Banks that have \$30 billion in assets – or anywhere close to that asset size – are not community banks and should not benefit from expedited or reduced filing procedures.

Better Markets urges the OCC to modify its definition of community banks that it set forth when it announced the establishment of its Community Bank supervisory group<sup>3</sup> and – by extension – the definition used in this proposal to align with the definition that has been used for many years by the Federal Deposit Insurance Corporation (“FDIC definition”).<sup>4</sup> The FDIC definition is a superior definition because it is a multi-faceted definition that takes into account the combination of types of activities conducted, geographic market area, and a reasonable inflation-

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<sup>1</sup> Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans’ jobs, savings, retirements, and more.

<sup>2</sup> Community Bank Licensing Amendments; Office of the Comptroller of the Currency RIN 1557-AF38, Docket ID OCC-2025-0273; 90 Fed. Reg. 51577 (Nov. 18, 2025), <https://www.federalregister.gov/documents/2025/11/18/2025-20204/community-bank-licensing-amendments>.

<sup>3</sup> Office of the Comptroller of the Currency, “OCC Announces Updates to Organizational Structure” (Sept. 18, 2025), News Release 2025-89, <https://www.occ.gov/news-issuances/news-releases/2025/nr-occ-2025-89.html>.

<sup>4</sup> See definition contained in Federal Deposit Insurance Corporation, “FDIC Community Banking Study” (December 2012), <https://www.fdic.gov/resources/community-banking/report/2012/2012-cbi-study-full.pdf>.

adjusted asset size metric. While the FDIC definition is more complex than a simple asset size measure, it is more aligned with and much better at capturing true community banking activity.

## **COMMENTS**

### **I. THE OCC’S DEFINITION OF COMMUNITY BANK IS BASELESS, AND THE PROPOSAL DOES NOT MEET THE STANDARDS REQUIRED BY THE RULEMAKING PROCESS.**

The OCC’s updated definition of community banks is baseless. The OCC initially introduced the definition when it announced the establishment of its Community Bank supervisory group (among other supervisory “portfolios”).<sup>5</sup> In that announcement the OCC did not provide justification of any kind for the chosen asset size range of \$30 billion or less for community banks (or for asset thresholds of other supervisory portfolios). The only support given was a statement from Comptroller Gould that gave a vague reference to a “commitment to tailor supervision to bank risk profile” without providing details. Importantly, nothing was provided about what is meant by “bank risk profile,” what factors were considered as part of assessing those risk profiles, or what metrics and thresholds or ranges were used in the assessment, if any.

Ultimately, even if multiple factors were considered, by differentiating supervisory portfolios only by asset size ranges, the OCC is equating bank “risk profiles” to simple asset size ranges. If the OCC has determined that banks within different asset size ranges have unique microprudential and macroprudential risk profiles, the analysis that went into that determination must be provided, especially if those asset size ranges are being used not just for supervision but also to set unique requirements and regulations for banks within each range.

That is in fact exactly what is being done through the Proposal – the OCC is using an unsupported modification to its supervisory practices to serve as cover for rolling back regulatory requirements for banks below a \$30 billion asset threshold. This is an end-run around the standards required for the rulemaking process, which clearly require justification for all aspects of proposed rules, which are especially applicable for numerical thresholds. While the OCC does not need to provide formal justification for thresholds it uses in its supervisory practices, it absolutely must provide support for thresholds within its regulations that at a minimum meet the high-level standards laid out by the Supreme Court for agency actions under the Administrative Procedure Act in *Motor Vehicle Manufacturers Association v. State Farm Mutual Automobile Insurance Co.*<sup>6</sup> Generally, the standards require that agencies 1) consider relevant factors, 2) draw rational connections, and 3) provide a lucid and persuasive explanation for each action.

However, the “justification” provided in the Proposal for the \$30 billion community bank threshold is simply a reference to the new \$30 billion threshold used within the OCC’s updated supervisory portfolio structure, which as discussed itself has no support or justification. That is, the OCC is making it seem as though there is justification for the asset threshold in the Proposal by tying it to the new supervisory portfolio, but the threshold for that new supervisory portfolio

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<sup>5</sup> Supra 3.

<sup>6</sup> *Motor Vehicle Mfrs. Ass’n v. State Farm Mut.*, 463 U.S. 29 (1983)

has no support or justification. This is a clear failure to meet the standards of the rulemaking process and is a deception on the public. The OCC did not 1) consider any factors – let alone relevant factors, 2) draw any connections – let alone rational connections, or 3) provide any explanation – let alone a lucid and persuasive explanation. In fact, the relevant factors and rational connections discussed in the next section lead to the conclusion that the OCC’s definition of community banks is inappropriate and should not have been put forth in the first place.

## **II. THE OCC’S DEFINITION OF COMMUNITY BANK IS NONSENSICAL AND DETRIMENTAL TO TRUE COMMUNITY BANKS. IT MUST BE RESCINDED AND REPLACED WITH A SENSIBLE DEFINITION.**

The OCC’s chosen community bank definition of banks under \$30 billion in assets includes many banks that by any measure – quantitative or qualitative – are not community banks. The OCC should rescind this definition and instead replace it with a more sensible definition of community banks. In fact, much more sensible definition is readily available and has been used for many years by the FDIC.<sup>7</sup> The FDIC definition is a multi-faceted definition that takes into account the combination of types of activities, geographic market area, and a reasonable inflation-adjusted asset size metric, thereby more accurately capturing the nature of true community banks.

The foundation of true community banks is their unique “relationship banking” model that relies on local knowledge for providing loans to households and businesses, often with minimal financial histories – loans that larger banks are more likely to ignore due to their use of more metrics-based underwriting processes. The relationship banking model has made community banks the foundation of economic growth and stability for many communities by creating a virtuous feedback loop. Deposits at community banks are invested as loans to local families and small businesses, resulting in local growth being boosted and wealth being created. That wealth is then deposited back into community banks – and the cycle repeats, further supporting local economic growth.

The basis of the relationship banking model has two important factors: 1) a local presence and focus and 2) the use of so-called “soft information” – qualitative information that comes from a deep knowledge about potential borrowers – in underwriting loans. These related factors allow community banks to provide credit to a much broader set of borrowers than larger banks. Many of the banks the OCC includes through its updated definition of community banks fail across both factors.

As for the first factor, true community banks can maintain a focus on their communities in large part by having a limited presence. That simply is the case for almost any customer-facing business and not just banking – by having a business model that is not based on economies of scale, more attention can be paid to each customer. The difference in scale of presence between true community banks and banks that are larger is substantial. Banks between \$10 billion and \$30 billion in assets have an average of around 115 branches and offices as compared to an average of

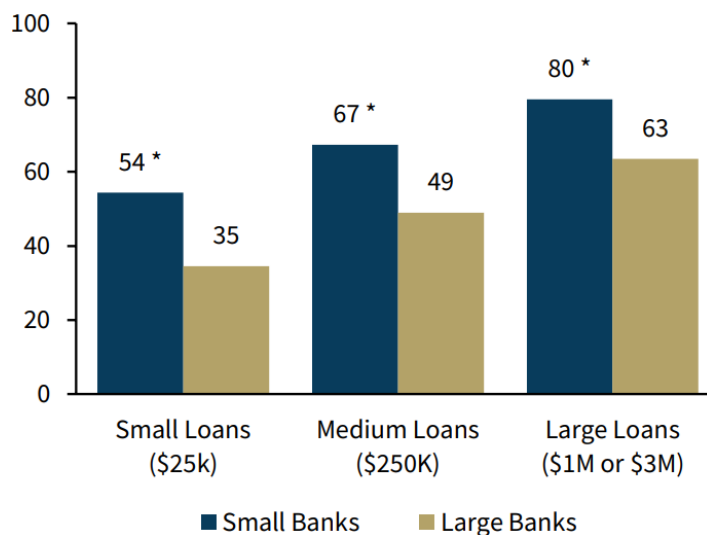
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<sup>7</sup> Supra 4.

around only around 7 branches and offices for banks that meet the FDIC definition.<sup>8</sup> With such a large and spread-out presence for larger banks, it is less efficient and less profitable for them to provide the same kind of relationship banking as true community banks that meet the FDIC definition, something that is proven by the data around the second factor.

As for the second factor, results from the 2024 FDIC small business lending survey showed that banks below \$10 billion in assets used soft information much more frequently than banks above \$10 billion in assets in the underwriting process for small business loans. This is seen clearly in Figure 1 below – for loans of all sizes, small banks (defined by the FDIC as banks below \$10 billion in assets) had higher soft information “scores” than large banks (defined as banks above \$10 billion in assets).

**Figure 1: Average Soft Information Score for Various Loan Sizes, by Bank Size**



*Source: Federal Deposit Insurance Corporation's 2024 Small Business Lending Survey Report*

*\* Denotes a statistically significant difference between small and large banks at the 10 percent level*

Such significant differences in usage of soft information in underwriting lead to significant differences in loan origination outcomes. According to a survey conducted by the Federal Reserve, small businesses that sought credit from small banks reported much higher rates of loan approvals (54 percent) than small businesses that sought credit from larger banks (45 percent).<sup>9</sup> Furthermore, community banks that meet the FDIC definition make 11 percent of their total loans to small businesses, as compared to only 6 percent for banks between \$10 billion and \$30 billion in assets.<sup>10</sup> Put simply, the usage of soft information by true community banks results in the provision of more

<sup>8</sup> Analysis based on the FDIC's community banking reference data, available at <https://www.fdic.gov/community-banking-research-program/reference-data>. The analysis for banks between \$10 billion and \$30 billion excludes banks with online-based business models.

<sup>9</sup> Federal Reserve Banks, "2025 Report on Employer Firms: Findings from the 2024 Small Business Credit Survey" (2025), *Small Business Credit Survey*, <https://doi.org/10.55350/sbcs-20250327>.

<sup>10</sup> Analysis based on data from the June 2025 Call Report.

community-focused credit to more borrowers.

By expanding the definition of community banks to include banks up to \$30 billion in assets, the OCC is ignoring the facts about true community banks and how they serve their communities. Once the facts about true community banks are studied and compared to other banks the OCC is calling community banks, it becomes clear that the OCC's definition is nonsensical and includes many mid-sized banks that cannot be considered community banks by any measure, quantitative or qualitative.

The OCC's updated definition clearly is a giveaway to mid-sized banks that will result in them being under-supervised and under-regulated. That provides an unfair advantage to mid-sized banks, allowing them to out-compete true community banks by not having to face the supervision and regulation that is appropriate for their size and risk composition. Combined with all the giveaways from the OCC, FDIC, and Federal Reserve to large banks, community banks will face an even more unlevel playing field across the banking system, leaving them struggling to compete and keep up even more than they already are.<sup>11</sup>

## **CONCLUSION**

There is no financial institution that supports our communities and broad-based economic growth more than community banks. The OCC must stop its upside-down policymaking that results in under-supervision and under-regulation of midsize and large banks and start supporting community banks as much as they support our local economies. The OCC's definition of community banks must be rescinded and replaced with the much more sensible FDIC definition.

Sincerely,



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<sup>11</sup> See Phillip Basil, "The Banking Agencies' Anti-Community Bank Policies Are Hurting the Main Street Economy" (January 16, 2026), Better Markets, <https://bettermarkets.org/analysis/the-banking-agencies-anti-community-bank-policies-are-hurting-the-main-street-economy/>.