II

119TH CONGRESS
1ST SESSION

# S. 113

To require the appropriate Federal banking agencies to establish a 3-year phase-in period for de novo financial institutions to comply with Federal capital standards, to provide relief for de novo rural community banks, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 16, 2025

Mrs. HYDE-SMITH introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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# A BILL

To require the appropriate Federal banking agencies to establish a 3-year phase-in period for de novo financial institutions to comply with Federal capital standards, to provide relief for de novo rural community banks, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Promoting New Bank Formation Act of 2025''.

**SEC. 2. FINDINGS.**

The Congress finds the following:

(1) Trends in bank closures and consolidation have left many communities without access to banking services and disproportionately impact underserved rural and urban communities.

(2) De novo bank formation has slowed significantly following the financial crisis.

(3) A November 2019 report by the Federal Reserve System found that 44 counties in the United States were ''deeply affected'' by trends in bank closures and consolidation, meaning that the counties had fewer than 10 branches in 2012 and lost not less than 50 percent of them by 2017.

(4) 89 percent of the deeply affected counties described in paragraph (3) were rural.

(5) Rural counties deeply affected by branch closures had higher poverty rates and lower median incomes, and a higher share of their population were African-American compared to all rural communities.

**SEC. 3. DEFINITIONS.**

In this Act:

(1) APPROPRIATE FEDERAL BANKING AGENCY; DEPOSITORY INSTITUTION; DEPOSITORY INSTITUTION HOLDING COMPANY.—The terms ''appropriate Federal banking agency'', ''depository institution'',

and "depository institution holding company" have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) COMMUNITY BANK LEVERAGE RATIO.—The term "Community Bank Leverage Ratio" has the meaning given that term under section 201(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (12 U.S.C. 5371 note).

(3) FINANCIAL INSTITUTION.—The term "financial institution" means a depository institution or depository institution holding company.

(4) RURAL COMMUNITY BANK.—The term "rural community bank" means a financial institution—

(A) with total consolidated assets of less than $10,000,000,000; and

(B) located in a rural area, as defined in section 1026.35(b)(2)(iv)(A) of title 12, Code of Federal Regulations, or any successor regulation.

**SEC. 4. PHASE-IN OF CAPITAL STANDARDS.**

The appropriate Federal banking agencies shall issue rules that provide for a 3-year phase-in period for a financial institution to meet any Federal capital requirements that would otherwise be applicable to the financial institution, where the 3-year period begins on the date on which the deposit insurance that the financial institution has obtained from the Federal Deposit Insurance Corporation becomes effective.

**SEC. 5. CHANGES TO BUSINESS PLANS.**

(a) IN GENERAL.—During the 3-year period beginning on the date on which the deposit insurance that the financial institution has obtained from the Federal Deposit Insurance Corporation becomes effective, a financial institution may request to deviate from a business plan that has been approved by the appropriate Federal banking agency by submitting a request to the agency pursuant to this section.

(b) REVIEW OF CHANGES.—An appropriate Federal banking agency shall, not later than the end of the 30-day period beginning on the receipt of a request under subsection (a)—

(1) approve, conditionally approve, or deny the request; and

(2) notify the financial institution of the decision and, if the agency denies the request—

(A) provide the financial institution with the reason for the denial; and

(B) suggest changes to the request that, if adopted, would allow the agency to approve the request.

(c) RESULT OF FAILURE TO ACT.—If an appropriate Federal banking agency fails to approve or deny a request within the 30-day period required under subsection (b), the request shall be deemed to be approved.

**SEC. 6. RURAL COMMUNITY BANK LEVERAGE RATIO.**

(a) IN GENERAL.—During the 3-year period beginning on the date on which the deposit insurance that a rural community bank has obtained from the Federal Deposit Insurance Corporation becomes effective, the Community Bank Leverage Ratio for the rural community bank shall be 8 percent.

(b) PHASE-IN AUTHORITY.—The appropriate Federal banking agencies shall issue rules to phase-in the Community Bank Leverage Ratio described in subsection (a) with respect to a rural community bank by setting lower Community Bank Leverage Ratio percentages during the first 2 years of the 3-year period described in subsection (a).

**SEC. 7. AGRICULTURAL LOAN AUTHORITY FOR FEDERAL SAVINGS ASSOCIATIONS.**

Section 5(c) of the Home Owners' Loan Act (12 U.S.C. 1464(c)) is amended—

(1) in paragraph (1), by adding at the end the following:

"(V) AGRICULTURAL LOANS.—Secured or unsecured loans for agricultural purposes."; and

(2) in paragraph (2)(A), by striking "business, or agricultural" and inserting "or business".

**SEC. 8. STUDY ON DE NOVO FINANCIAL INSTITUTIONS.**

(a) STUDY.—The appropriate Federal banking agencies shall, jointly, carry out a study on—

(1) the principal causes for the low number of de novo financial institutions in the 10-year period ending on the date of enactment of this Act; and

(2) ways to promote more de novo financial institutions in areas currently underserved by financial institutions.

(b) REPORT TO CONGRESS.—Not later than 1 year after the date of enactment of this Act, the appropriate Federal banking agencies shall, jointly, issue a report to Congress containing all findings and determinations made in carrying out the study required under subsection (a).

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