Independent Bankers Association of New York State, Inc.

Community Bankers. Serving the Community. Serving You!

About Community Banks In New York State

* Community banks are generally defined as institutions which hold under $10 billion in assets. They operate under either state or national charters, as commercial banks or thrifts, with public, private or mutual ownership.

The New York State Department of Financial Services issued a report in 2013 on Community Banks. This report provides a more specific definition of what constitutes a community bank other than asset size. It states that “At its essence, community banking is based on a simple and traditional business model. Community banks focus on gathering deposits from the communities they serve and exclusively lending back to those communities. In doing so, community banks leverage their ability to: (1)attract local retail deposits;(2) forge strong relationships with their customers through personal service; and (3) effectively gauge “soft” criteria, such as an applicant’s character, ability and reputation. This type of service is particularly valuable when borrowers lack lengthy credit histories. Large banks tend to have a broader geographic focus and do not always provide enough flexibility for regional business needs.”

*A community bank is a financial institution with a strategic business plan to recycle deposits into loans in the same communities that the deposits are gathered. Their business model is good for the local community and customers they serve.

Relationship banking philosophy is ingrained in the way they conduct business, one loan—one customer—at a time. Local reinvestment helps small businesses grow and helps families finance major purchases and build financial security. Deposits from the community are returned to the community. Other larger financial institutions which gather deposits in a particular community are not constrained to deploy their capital only in that community. In fact, the incentive for large banks is to utilize deposits in areas where they will generate the maximum return.

* Community banks also use new technology platforms, supporting new methods of payments and advocating tougher security standards to protect small-business owners and customers from hackers and other criminals.

* Community banks are involved in their local municipalities not only through their financial investments, but also by their "human investments" – their officers, employees and directors are local, and engaged in civic, charitable and philanthropic activities to support the community.

* The previously referenced report by NYS DFS on community banks states that: "The impact of this business model has been significant particularly in the area of small business and farm lending. Indeed, while community banks hold approximately 22% of all the assets of the Federal Deposit Insurance (FDIC) banks in the State, they provide nearly 55% of all small business loans and approximately 90% of small farm loans in the State. Smaller community banks ---those with assets of $1 billion or less-- hold only about 6% of all FDIC insured banking assets in New York yet make almost 28% of all small business loans, including 43% of small farm loans in the State."

* The report notes New York's community banks grew during the financial crisis by continuing to lend to small businesses and homeowners, as larger banks pulled back.

* As Governor Cuomo said when releasing the report: "Community banks represent a strong economic engine that drives growth in New York and their performance is remarkable. Small business is the engine of job growth and most small business loans come not from the big national banks, but from community banks."

* The report demonstrates New York's community banks are vitally important to our state and local economies. By lending throughout the markets they know and understand so well, they stay committed to the future of small businesses, farmers, home buyers and consumers in every corner of New York. With locally-based ownership and a commitment to their communities, community banks are very close to the economic pulse of New York's cities, towns and villages.

*A recent FDIC report was issued based on a nationally represented small business lending survey. This survey examined small business lending practices with a concern for the ongoing consolidation in the banking industry with the loss of community banks. In examining this situation the report stated that: "One such trend is consolidation : between 2008 and 2017 the number of small banks in the country dropped by nearly a third and small bank assets dropped by more than 14% whereas large banks increased their assets by 13% (in this report small banks are defined as those with under $10 billion in assets.) Even so, at the end of 2017 small banks , though holding only 17% of banking assets, held nearly 53% of small loans to businesses (according to Call Report measure for business lending)" This underlines the findings of the earlier DFS study in terms of community banks importance in their marketplace.

*A critical component of community bank assets in New York is municipal deposits. Deposits from municipalities make up a significant percentage of many banks deposit base in some cases from 15% to 30%. These deposits have increased in importance as a consequence of bank consolidations and the outflow of deposits to larger banks. Without sufficient deposits community banks are constrained in their ability to make small business loans.

* Community Banks have a distinct advantage: they offer many of the same products and services as the largest financial institutions provide to small businesses, but they deliver them in a highly personalized manner. Loan decisions are made locally with an understanding of the customer's needs and what drives the local economy.

* Community Bank Directors are mostly made up of local business people. They understand the problems local businesses encounter, and how to find solutions for their customer's financial needs.

* In many instances, at a community bank the entire bank, not just a department, is focused on helping the local community and local businesses grow.

* Community banks are strictly regulated at the state and federal levels in terms of compliance, safety and soundness and community reinvestment (CRA). They are required to document their CRA activities (unlike credit unions, which are not mandated to do so). Similarly, while credit unions pay no taxes and offer the same products and services as community banks community banks, which pay their full and fair share of taxes – a major contribution to the state's economy and tax rolls.

* Community banks by definition are CRA compliant.

* Community banks are subject to many of the regulatory and compliance requirements that apply to larger banks. There is, however, a significant difference operationally between community banks and regional and nationwide banks. Congress recently has made some changes to recognize the regulatory burden created on community banks. It remains an important issue as many community banks want to remain independent and linked to their communities.