

119TH CONGRESS
1ST SESSION

S. _____

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.

IN THE SENATE OF THE UNITED STATES

Mrs. HYDE-SMITH introduced the following bill; which was read twice and referred to the Committee on _____

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.

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 “Promoting New Bank
5 Formation Act of 2025”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) Trends in bank closures and consolidation
2 have left many communities without access to bank-
3 ing services and disproportionately impact under-
4 served rural and urban communities.

5 (2) De novo bank formation has slowed signifi-
6 cantly following the financial crisis.

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

13 (4) 89 percent of the deeply affected counties
14 described in paragraph (3) were rural.

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

20 **SEC. 3. DEFINITIONS.**

21 In this Act:

22 (1) APPROPRIATE FEDERAL BANKING AGENCY;
23 DEPOSITORY INSTITUTION; DEPOSITORY INSTITU-
24 TION HOLDING COMPANY.—The terms “appropriate
25 Federal banking agency”, “depository institution”,

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

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

9 (3) FINANCIAL INSTITUTION.—The term “fi-
10 nancial institution” means a depository institution
11 or depository institution holding company.

12 (4) RURAL COMMUNITY BANK.—The term
13 “rural community bank” means a financial institu-
14 tion—

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

17 (B) located in a rural area, as defined in
18 section 1026.35(b)(2)(iv)(A) of title 12, Code of
19 Federal Regulations, or any successor regula-
20 tion.

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

22 The appropriate Federal banking agencies shall issue
23 rules that provide for a 3-year phase-in period for a finan-
24 cial institution to meet any Federal capital requirements
25 that would otherwise be applicable to the financial institu-

1 tion, where the 3-year period begins on the date on which
2 the deposit insurance that the financial institution has ob-
3 tained from the Federal Deposit Insurance Corporation
4 becomes effective.

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

6 (a) IN GENERAL.—During the 3-year period begin-
7 ning on the date on which the deposit insurance that the
8 financial institution has obtained from the Federal De-
9 posit Insurance Corporation becomes effective, a financial
10 institution may request to deviate from a business plan
11 that has been approved by the appropriate Federal bank-
12 ing agency by submitting a request to the agency pursuant
13 to this section.

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

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

20 (2) notify the financial institution of the deci-
21 sion and, if the agency denies the request—

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

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

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

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

9 (a) IN GENERAL.—During the 3-year period begin-
10 ning on the date on which the deposit insurance that a
11 rural community bank has obtained from the Federal De-
12 posit Insurance Corporation becomes effective, the Com-
13 munity Bank Leverage Ratio for the rural community
14 bank shall be 8 percent.

15 (b) PHASE-IN AUTHORITY.—The appropriate Fed-
16 eral banking agencies shall issue rules to phase-in the
17 Community Bank Leverage Ratio described in subsection
18 (a) with respect to a rural community bank by setting
19 lower Community Bank Leverage Ratio percentages dur-
20 ing the first 2 years of the 3-year period described in sub-
21 section (a).

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

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

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

3 “(V) AGRICULTURAL LOANS.—Secured or
4 unsecured loans for agricultural purposes.”; and

5 (2) in paragraph (2)(A), by striking “business,
6 or agricultural” and inserting “or business”.

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

8 (a) STUDY.—The appropriate Federal banking agen-
9 cies shall, jointly, carry out a study on—

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

13 (2) ways to promote more de novo financial in-
14 stitutions in areas currently underserved by financial
15 institutions.

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