WASHINGTON WRAP

OCC just getting started with community bank deregulation

Monday, October 20, 2025 2:04 PM ET

By Lauren Seay
Market Intelligence

The Office of the Comptroller of the Currency is hoping a reduction in regulations will allow community banks to better compete with credit unions and large banks, according to Comptroller Jonathan Gould.

Raising the OCC's threshold for community banks to $30 billion and announcing sweeping deregulatory changes for those institutions is just the start of the agency's effort to reduce regulatory strain for community banks, Gould said at an industry conference on Oct. 20. The agency is now looking at its Community Reinvestment Act (CRA) oversight and implementing the stablecoin-focused GENIUS Act with community banks in mind, the regulator said.

Recently, a community banker "quite pointedly told me that if things don't change, essentially, credit unions are going to replace community banks," Gould said. "So providing regulatory and supervisory relief to community banks ... has been one of the things that I have tried to place an immediate down payment on."

Alleviating the CRA compliance burden for community banks is a priority for the agency. The OCC is evaluating a "simplified strategic plan option" for CRA compliance that would save time and resources for community banks and the OCC, Gould said. The regulator said he is "baffled" by the time the agency spends on CRA reviews.

"On its face, that just doesn't make any sense. If you weren't meeting the credit needs of your local communities as a community bank, you would cease to exist. I don't know why we're spending so many resources on that," he said.

Credit unions are not subject to CRA evaluations.

The OCC is also evaluating how it will implement the GENIUS Act, with community banks' desire to innovate in that space in mind, Gould said.

Typically, smaller banks are not able to implement the technology that larger banks can as quickly, or at all, due to their smaller expense base and limited resources. Gould hopes to encourage community banks' digital asset innovation by creating stablecoin regulation that will avoid a "two-tier system in which only the very largest banks have the risk management sophistication or the fortress balance sheets" to engage in the payment type.

"One of the things that I really want to make sure doesn't happen with payment stablecoins is a situation in which, as we have seen in the past, it becomes just the exclusive purview of just a handful of very large banks," Gould said. "That creates the very unfair and unlevel playing field in which only kind of the privileged few can engage in certain activities."

While it might not make sense for every community bank to engage in stablecoins, the comptroller said he wants to set up regulations in a way that community banks have the opportunity to "break some of the dominance that exists right now among the very largest banks in the payment system in America."

First steps

The OCC has already taken several steps to reduce community bank regulations.

Two weeks ago, it introduced guidance and proposed rules that will lead to less strenuous exams and faster approvals for growth initiatives like M&A and branching, among other changes, for banks with below $30 billion in assets.

The agency also recently, in conjunction with the Federal Deposit Insurance Corp., proposed a rule defining "unsafe and unsound practices" to limit their ability to issue matters requiring attention (MRAs) and enforcement actions.

"This is not in any way to weaken our supervision. It is to focus it to make it stronger on what matters," Gould said. "I'd much rather have boards of directors and senior management at banks focused on the medium and long-term competitive threats, their strategies, serving their consumers, serving their markets, than dealing with the 16th MRA around a change management issue."

Under the current administration, all three federal bank agencies have emphasized a focus on financial risk over management and reputational risks.

"It's about prioritization of our finite resources as well as yours," Gould said of that goal. "It's about not diluting our message so that when we tell you something, you will know it really goes to the heart of your business and to your financial safety and soundness."

Gould is also attending select community bank exams himself in order to "see the stumbling blocks on the bank examination process, hear from bankers directly,

hear from our examiners, see what their issues are, too."

Gould called the agency's recent efforts just the first in "more things to come" for community banks.

"There's so much low-hanging fruit," he said. "We're here to open doors, work with you to make sure you embrace new technology, new activities, whatever makes sense for you all in a safe and sound manner."

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.