

# For Immediate Release



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To Banking or Business Editor:

## New Banks May Finally be on the Horizon

April 19, 2016: Coral Gables, FL: BAUERFINANCIAL, Inc., the nation's leading independent bank rating firm, applauds FDIC Chairman Martin J. Gruenberg after recent remarks that both championed community banks and tried to spur interest in de novo applications. In his own words:

- Community banks are the only banks with a physical presence in a fifth of all U.S. counties.
- Community banks account for 44% of all small business and farm loans and most small business lending by large banks is only via credit cards.
- Banks that had less than \$100 million in assets in 1985 were the most resilient of any size group in the 30 years since.
- 93% of the industry today meets FDIC's research definition of "community bank" (less than \$1 billion in assets AND operating in a traditional manner of lending and deposit gathering).
- FDIC research has found that most economies of scale are reached at the \$100 million dollar asset level; they cease to realize any significant benefits beyond the \$300 million asset mark.
- Community banks have been outpacing the industry as a whole in many areas, including earnings growth, and loan growth in: residential mortgages; C&I loans; and CRE loans.
- In spite of the drastic consolidation in the banking industry over the past 30 years, there are roughly the same number of banks with assets between \$100 million and \$1 billion today as there were in 1985, and they hold a higher volume of assets.

The FDIC is looking for ways to facilitate the process of establishing new community banks and has seen indications of increased interest in de novo charter applications in recent quarters... and that is music to our ears. From 1980-2000, an average of more than 200 de novos opened each year. Then it began to drop. By 2008, there were only 98 new charters and in the seven years since, there have been just 45. In fact, in three of the last five years there were zero. Anything done to spur interest is a positive.

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