

[Fact-Checking Rubio's Claims About Bank Closures Since Dodd-Frank](#)
[Why the Battle Over Dodd-Frank Will Never End](#)
[Time Is of the Essence' to Save Small Institutions, Lawmakers Warn](#)



[Five Ways That Dodd-Frank Has Shaped Banking](#)



[Five Years Later: Lawmakers Sound Off on Dodd-Frank](#)



[It's Their Job to Worry: What Chief Risk Officers Really Think](#)

Is Dodd-Frank *Really* Killing Community Banks?

by [Victoria Finkle](#)

AUG 18, 2015 5:09pm ET

[Print](#)

[Email](#)

[Reprints](#)

[Comments \(2\)](#)

[Twitter](#)

[LinkedIn](#)

[Facebook](#)

[Google+](#)

WASHINGTON — The Dodd-Frank Act has become the catchall for a litany of alleged harms, not the least of which is the decline of small banks.

Sen. Marco Rubio, R-Fla., a presidential contender, charged earlier this month that the reform law is "eviscerating" the community banking industry — an all-too-common refrain, even if his data proved to be [overstating the case](#).

Yet while it's clear that the banking industry continues to shrink, how big a role Dodd-Frank is playing in the decline is debatable. Below we offer a look at what the financial reform law has meant for small banks, along with some of the other economic and market forces that are contributing to industry consolidation.

How many banks are there?

Overall, the total number of banks in the country has been gradually declining for decades.

There were more than 18,000 institutions in the 1980s, compared to just over 6,400 in the first quarter of 2015, according to the Federal Deposit Insurance Corp.

Despite a myriad of competing forces on the financial services industry over that period, the rate of consolidation has proven to be fairly gradual, averaging out around 3.5% each year. The pace did slow somewhat in the mid-2000s, but the shrinking has never stopped or reversed.

On average, it is only slightly higher since the passage of Dodd-Frank in 2010, falling by about 4% per year since 2009.

Small banks continue to make up the vast majority of the financial services industry — 98% of banks have fewer than \$10 billion of assets, while 89% are smaller than \$1 billion.

The biggest impact of consolidation has been on the largest and very smallest banks, according to a 2014 FDIC report. Institutions smaller than \$100 million [declined by 85%](#) from 1985 to 2013, while banks with more than \$10 billion of assets nearly tripled.

The credit union industry has evolved in a similar fashion. The number of federally insured credit unions has slowly fallen from roughly 18,000 around 1980 to just over 6,200 in the first quarter of 2015, according to the National Credit Union Administration. The smallest institutions — those with fewer than \$10 million of assets — have taken the biggest hit over that period.

But some regulators do not blame Dodd-Frank for causing the recent decline.

"Right now when we look at consolidation trends in credit unions, we're not able to pick up a shift or acceleration" since Dodd-Frank was passed, said Ralph Monaco, a senior economist with the NCUA. "That's not to say Dodd-Frank is not having an effect, but along with other factors moving the industry toward consolidation, it's not having an outstanding effect."

It's worth noting that while the number of financial institutions continues to decline, the financial services sector is growing. The spoils are simply shared among fewer players. The banking industry now controls over \$15 trillion of assets, while the credit union industry oversees more than \$1 trillion of assets.

So what does Dodd-Frank's impact look like?

The raw numbers alone don't necessarily give a complete picture. For critics of the law, it remains clear that Dodd-Frank is at the root of the industry's problems.

"Since the fall of '08 we have lost one community bank a day seven days a week ... as a result, quite truthfully, of, obviously competition from nonbanks, but most particularly by a huge regulatory burden, some 12,000 pages of proposed and final rules in Dodd-Frank," Frank Keating, president and chief executive of the American Bankers Association, warned in a television interview on Tuesday.

It would be difficult to imagine that Dodd-Frank hasn't had any impact on the industry given its vast scope, but parsing out whether the law is the definitive factor that leads a bank to close or merge is much more difficult.

"No single institution is going to tell you, 'I closed because of Dodd-Frank,' but what they will tell you is, 'in no way did Dodd-Frank help me stay open,'" said James Ballentine, executive vice president of congressional relations and political affairs at the American Bankers Association.

On the ground, the story community banks tell is a more complicated one. Bankers seem more inclined to point to specific, troublesome rules within the law, rather than blaming Dodd-Frank in its entirety. In fact, much of the law is focused on winding down the country's largest institutions and reining in non-banks.

"If Dodd-Frank was written exactly as it's written except there was no Consumer Financial Protection Bureau, no Title X of the law, community banks really wouldn't feel much of the impact from Dodd-Frank — it would be marginal at the most," said Camden Fine, president and chief executive of the Independent Community Bankers of America.

He added that while the consumer agency has been responsive to some of ICBA's concerns, "they have not gone nearly far enough."

Smaller banker complaints have probably been loudest over new mortgage restrictions, including the CFPB's "qualified mortgage" rule.

That's the one that has "caused the greatest amount of distress internally," said Jill Castilla, president and chief executive of Citizens Bank of Edmond in Oklahoma.

« 1 | [2](#) | [3](#) » [view entire article](#)



JOIN THE DISCUSSION

(2) [Comments](#)

SEE MORE IN

[Law & Regulation](#)

RELATED TAGS

[Community Banking](#),

IN PICTURES

'Social Science Experiments in Lending Always End Badly': Comments of the Week

« 1 of 8 »