

The Backbone of Main Street: Why Community Banks Must Own Their Story

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Every day, community and regional banks across America do something the financial press rarely covers: they say yes. Yes to the third-generation hardware store owner who needs a line of credit to get through a slow winter. Yes to the farmer expanding her operation. Yes to the startup that does not yet have three years of audited financials but has a founder with deep roots and a sound plan. These decisions — made by people with local knowledge, community relationships, and genuine stakes in the outcomes — are the connective tissue of regional economies. And yet, as an industry, community banking has never been particularly loud about it.

That needs to change.

The Economic Engine That Goes Unrecognized

The data on community banking's economic impact is striking, and it deserves to be cited more often and more publicly. According to the Federal Reserve Bank of St. Louis, small business loans make up 12.6% of small community banks' total assets, more than triple the 3.6% figure at the nation's largest banks. Community banks are not just participants in small business lending; they are the dominant force in it, relative to their size.

Approval rates tell an equally important story. Research from the Federal Reserve Bank of St. Louis found that 82% of small business applicants received at least partial loan approval from a small bank, compared to just 68% at large institutions. That 14-point gap is not a rounding error. It represents hundreds of thousands of businesses nationwide that received capital from a community institution that a large bank turned away.

The FDIC's Small Business Lending Survey explains the mechanism behind those numbers: community banks rely heavily on what researchers call "soft" information — contextual, relationship-driven knowledge that no algorithm can replicate. A loan officer at a community bank can weigh the fact that a borrower's industry is seasonal, that a key contract was just signed, or that the family has banked locally for generations. These qualitative factors routinely tip lending decisions in ways that support local economic growth, and they are uniquely available to institutions that are embedded in their communities.

The downstream effects are real. When a community bank makes a small business loan, the proceeds are spent locally. Jobs are created or sustained locally. Tax revenue flows to local governments. The multiplier effect of community bank lending is concentrated in

the geographies that need it most — rural communities, mid-size cities, and underserved markets that large national banks have largely abandoned.

A Policy Environment That Demands Industry Engagement

The industry's economic contribution is not just a feel-good story. It is the foundation of the policy arguments community banks need to be making right now, at a moment when the legislative and regulatory landscape is unusually consequential.

At the 2026 ABA Washington Summit, the agenda reflected just how much is at stake. FDIC Chairman Travis Hill flagged a fundamental structural inequity: the current emergency authority framework for bank failures creates a persistent perception that depositors are better protected at the largest institutions than at smaller ones. This implicit two-tier dynamic puts community banks at a real competitive disadvantage in attracting and retaining deposits, and it is a problem that the industry must press policymakers to fix.

Regulatory thresholds were another flashpoint. For years, size-based compliance requirements have forced community banks into an impossible choice: absorb disproportionate regulatory costs, manage growth artificially to stay below triggering thresholds, or consolidate through mergers. Every one of those paths results in fewer independent community banks serving local markets. The FDIC has taken meaningful steps toward indexing thresholds, and that progress deserves recognition, but it also needs to be accelerated and protected.

The deposit insurance framework adds another layer of concern. The FDIC's deposit insurance threshold has not been raised since 2008. In the years since, the proportion of deposits in the system that are actually insured has declined significantly, reflecting a structural drift toward large institutions holding balances that far exceed coverage limits. This is not a neutral trend for community banks competing for deposit relationships.

Then there are the emerging legislative battles. Stablecoin legislation moving through Congress carries a loophole that, left unaddressed, could allow crypto companies to offer yield-like rewards on stablecoins, effectively functioning as deposit substitutes and siphoning billions from the community banks that fund local lending. The proposed 10% credit card interest rate cap would threaten access to credit for tens of millions of consumers. The Credit Card Competition Act, if enacted, would impose routing mandates that benefit large retailers at the expense of banks and their customers. Each of these issues, on its own, is significant. Together, they represent a sustained set of pressures on the community banking model that requires a sustained, organized response.

The Communications Gap Community Banks Cannot Afford

Here is the challenge that underlies all of the above: the people who most depend on community banking — small business owners, farmers, first-time homebuyers, local governments, nonprofits — often have no idea how the policy fights in Washington affect their access to capital. And because they do not know, they are not engaged. And because they are not engaged, the political weight behind community banking's policy positions is far lighter than it should be.

Community banks have long relied on the strength of their relationships to carry their reputation. That model worked well when the competitive landscape was local, the regulatory environment was stable, and the political conversation about banking was largely technical. None of those conditions apply today. National fintech brands are marketing aggressively in every community bank's backyard. Large bank lobbying operations are well-resourced and perpetually active. And the policy decisions that shape the industry's future are being made by legislators and regulators who are bombarded with competing narratives.

In that environment, excellence without advocacy is not enough.

It Is Time to Invest in the Industry's Public Voice

Community bank leaders have an opportunity — and, increasingly, an obligation — to build the kind of external communications infrastructure that matches the importance of the industry's economic role.

That starts with consistent, data-driven storytelling. Every community bank should be quantifying and publicizing its local impact: loans made, jobs supported, deposits reinvested in the community, and businesses financed that would not have qualified elsewhere. State banking associations can aggregate that data into powerful regional narratives that resonate with local media, elected officials, and the public. The story of community banking is not abstract. It is the story of local economies, and it should be told in those terms, loudly and often.

It also means building broader coalitions. The policy fights community banks are engaged in — on stablecoins, on rate caps, on regulatory thresholds — are not banking industry fights alone. They are fights that affect every small business, every agricultural borrower, every rural community that depends on local credit access. Small business associations, farm bureaus, chambers of commerce, and economic development organizations are natural allies. Bringing those voices into legislative conversations transforms an industry lobbying effort into a genuine constituency-driven movement, and it fundamentally changes the political calculus for lawmakers.

Finally, it means raising the profile of the industry's leadership in the broader public conversation. Community bank CEOs and state association leaders are among the most credible voices on local economic development in their regions. Op-eds, media

appearances, speaking engagements, and direct engagement with local and regional press are all tools that remain significantly underutilized across the industry.

The community banking model — relationship-driven, locally embedded, economically essential — is worth fighting for. The institutions that will define the industry's next chapter will not just be the ones that make the best loans. They will be the ones that make the strongest public case for why community banking matters, who it serves, and what is lost when it disappears.

The story is compelling. The data is on our side. The time to tell it, loudly and strategically, is now.