Highlight: Asset maturity and repricing dates decline to pre-pandemic levels

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Amid an elevated interest rate environment, community banks continue to shorten the maturity and repricing dates of earning assets following historic highs less than three years prior.

- The percent of loans and securities with a maturity or repricing date of less than three years has been steadily increasing across community banking organizations[1] (CBOs) in recent years and now represents approximately half of all earning assets. Conversely, the share of longer-term earning assets has decreased from historic highs seen in late 2021.
- A previous Community Banking Bulletin article[2] reviewed the significant growth in securities in 2020 and 2021 that resulted from the pandemic-induced influx of deposits, with the substantial growth in securities seen exclusively in those with a maturity or repricing date over three years.
- Since then, CBOs have reduced the duration of their loan and security portfolios. At the same time, market rates increased at a record pace as the Federal Open Market Committee (FOMC) raised the federal funds target rate throughout 2022 and 2023. Generally, shorter-term earning assets benefit net interest income in a rising rate environment, as they will reprice sooner.
- In September 2024, the FOMC reduced the federal funds target rate, resulting in a decrease in broader market rates. Typically, in a declining rate environment, net interest income is pressured downward by shorter-term assets that are quicker to reprice.

Questions or comments? Please contact KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org

Endnotes

[1] Community banking organizations are defined as having $10 billion or less in total assets

[2] https://www.kansascityfed.org/banking/banking-data-and-analytics/highlight-asset-maturity-and-repricing-dates-extend-to-historic-highs/