Highlight: Community banks show shortening time deposit maturities

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Time deposits with shorter maturities experienced robust growth in the increasing interest rate environment but have stabilized as rates and the cost of time deposits have begun to decline.

- Time deposits have grown substantially at community banking organizations[1] (CBOs) over the past two years, increasing $267 billion from 2022 to 2024 due to organic growth and deposits shifting from nonmaturity deposits to time deposits. Time deposits increased from 18 percent of total deposits at year-end 2022 to 27 percent in 1Q 2025.
- Growth has been almost exclusively in time deposits maturing in less than a year. Since 2022, time deposits maturing in the next 12 months increased $278 billion, or 89 percent, with those maturing in the next three months up $129 billion, or 125 percent. The weighted-average maturity of time deposits has fallen from just under 12 months in 2022 to 8 months in 1Q 2025, with 86 percent of time deposits maturing or repricing in the next 12 months (compared to 71 percent in 2022).
- Growth in time deposits at CBOs has lagged movements in interest rates. While the Federal Open Market Committee (FOMC) began to increase the target federal funds rate in early 2022, time deposits did not begin to grow rapidly until late 2022. Though rates stabilized throughout 2024, and even declined, time deposit growth has only recently slowed.
- The cost of time deposits peaked in 3Q 2024 at 4.45 percent, corresponding to the beginning of interest rate cuts by the FOMC, and has since declined by just over 40 basis points through 1Q 2025. As time deposits mature and reprice, CBOs may continue to experience pricing relief if interest rates remain steady or decline, particularly with the maturity of time deposits that were originated before the FOMC began cutting interest rates.

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Endnotes

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