



Highlight: Most community banks are state-chartered and the share is increasing

by: Nancy Fitzgerald

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The U.S. dual banking system offers banks the choice of a federal or state charter, and thus which agency supervises them, with most community banks organized under state laws.

- Community banking organizations^[1] (CBOs) choose either a state or a federal charter, which determines their primary federal regulator (PFR). There are three PFRs of CBOs. The Federal Reserve is the PFR for state-chartered banks that are members^[2] of the Federal Reserve Banks (FRBs) and for all bank holding companies. The Federal Deposit Insurance Corporation (FDIC) is the PFR for state-chartered nonmember banks. The Office of the Comptroller of the Currency (OCC), part of the U.S. Department of the Treasury, is the PFR for banks with a national charter.
- Over the past 25 years, the percentage of CBOs with state charters has increased from 73 percent to 83 percent. As of March 2025, 66 percent of CBOs are state nonmember banks and 17 percent are state member banks. The percentage of total CBO assets held by those with state charters has also increased from 62 percent in 2000 to 79 percent in 2025.
- The FRBs and the FDIC work closely with their state counterparts and the other federal banking agencies. The FRBs and FDIC alternate leading state-chartered bank examinations with state regulators and frequently conduct examinations jointly. Because 89 percent of CBOs have holding companies, the FRBs frequently work with the FDIC and OCC in the supervision of holding companies which own subsidiary banks that are national and nonmember.

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

Endnotes

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

[2] State-chartered banks that wish to join the FRBs and all national banks own stock in their FRB.

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