Press Releases

February 11, 2026

Senators Kim and Budd Lead Bipartisan Federal Banking Reform Effort to Cut Red Tape Limiting Community Banks

WASHINGTON, D.C. – Today, U.S. Senators Andy Kim (D-N.J.) and Ted Budd (R-N.C.) introduced the *Tailored Regulatory Updates for Supervisory Testing (TRUST) Act*, which would increase the examination threshold for well-managed institutions from $3 billion to $6 billion in total assets to qualify for an extended 18-month exam cycle. This bipartisan reform targets regulatory bottlenecks that subject low-risk community banks to unnecessarily frequent exams by federal banking regulators, diverting resources from serving their communities. Additionally, the TRUST Act would instead free up federal

banking regulators to focus on riskier or larger institutions and increase efficiency.

*"For rural and small towns left behind in bank deserts like we have in South Jersey, community banks are a game changer – driving economic and community development and supporting our small businesses and entire local economies. By uplifting the promise of community banking in this legislation, we give working families greater flexibility and help unlock paths to buying a home, new jobs, and the greater economic stability they deserve," **said Senator Kim.***

*"The federal regulatory threshold for well-managed institutions has failed to keep up with inflation, industry consolidation, and modern risk management practices, and as a result has sacrificed both the resources and efficiency of our community banks. Increasing the statutory 18-month exam cycle asset threshold for community banks would free these small, low-risk institutions to do what they do best—provide financial resources to their communities, such as lending more to small businesses and offering more mortgages and private loans. The TRUST Act delivers responsible regulatory reforms that cut unnecessary red tape and modernize federal bank supervision," **said Senator Budd.***

The TRUST Act is also co-sponsored by Senators Angela Alsobrooks (D-Md.) and John Kennedy (R-La.) and was introduced in the House of Representatives by U.S. Representatives Tim Moore (R-N.C.-14) and Ritchie Torres (D-N.Y.-15).

"Our local businesses, homebuyers, and farmers depend on community banks to get the capital they need. Maintaining rigorous oversight while modernizing the exam process allows

well-managed, low-risk institutions to grow responsibly and continue investing in the communities they serve. I'm proud to join this bipartisan, commonsense legislation," ***said Senator Alsobrooks.***

"Because Washington rules haven't kept up with inflation, many community banks are tied up in unnecessarily frequent examinations. That isn't right. Our TRUST Act would update the law to free many community banks from a pointlessly high regulatory burden and let the government use taxpayer money more efficiently," ***said Senator Kennedy.***

"Community banks and credit unions are essential to the success of our local economies as they're the place where folks turn when they need help buying a home or starting a business. Local financial institutions shouldn't be hindered by one-size-fits-all regulations that treat them like major banking corporations. I'm proud to work with Senator Budd on the TRUST Act to ensure these banks have the flexibility to focus on serving hardworking families and building new opportunities for economic growth," ***said Representative Moore.***

"Community banks play an essential role in expanding access to capital, supporting small businesses, and strengthening local economies, especially in communities like the Bronx where neighborhood institutions are often the first stop for entrepreneurs, homeowners, and working families. The TRUST Act is a commonsense, bipartisan update that allows regulators to focus their attention where the risk is greatest while giving well-managed institutions more room to serve their customers. By modernizing outdated thresholds without compromising safety and soundness, we can make oversight more effective and ensure our financial system works for communities like NY-

*15 that depend on strong, local banking relationships to grow and thrive," **said Representative Torres.***

The *TRUST Act* is endorsed by the American Bankers Association (ABA), the Independent Community Bankers of America (ICBA), the American Fintech Council (AFC), and the North Carolina Bankers Association (NCBA).

"ICBA and the nation's community bankers strongly support the Tailored Regulatory Updates for Supervisory Testing (TRUST) Act and thank Sens. Kim and Budd for introducing this critical legislation in the Senate," **said ICBA President and CEO Rebeca Romero Rainey.** "Raising the 18-month examination cycle asset threshold from $3 billion to $6 billion will help address needlessly excessive regulatory burdens on community banks."

Read the full bill text **HERE.**

Federal banking regulators are required to conduct on-site examinations of insured depository institutions to ensure safety and soundness and compliance with the law. Currently, only institutions with total assets of less than $3 billion can qualify for an 18-month examination cycle if they are deemed 'well-managed' and meet certain criteria. This threshold, however, has not kept pace with inflation, industry consolidation, or modern risk management practices.

The *TRUST Act*, more specifically:

- Updates Threshold – Increases the threshold for well-managed institutions to qualify for an extended 18-month examination cycle from $3 billion to $6 billion in total assets.
- Safety and Soundness – Maintains all existing safety and soundness requirements, ensuring only qualifying, well-

capitalized, and well-managed banks benefit from the extension.

- Right-sizes Examiner Capacity – Frees up examiner resources to focus on riskier or larger institutions without weakening oversight of smaller banks.
- Conforms FDIC Act – Further aligns the Federal Deposit Insurance Act with the intent of the bill and provides greater flexibility to the FDIC.

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