



October 20, 2025

LEGAL UPDATE

OCC Announces Actions to Reduce Burdens on Community Banks

On October 6, 2025, the Office of the Comptroller of the Currency (the “[OCC](#)”) [announced](#) a series of actions to reduce the regulatory burden for community banks. The actions build upon the OCC’s continued efforts to tailor its regulatory and supervisory frameworks to minimize burden for its regulated institutions and to promote economic growth. The definition for community banks as applied to each of these actions includes national banks and federal savings associations (“[FSAs](#)”) under \$30 billion in assets, a threshold that aligns with the OCC’s recent restructuring of the groups within its bank supervision division.

In [Bulletin 2025-24](#), the OCC affirmed a commitment to tailoring its supervisory activities for community banks to each bank’s size, complexity, and risk profile. As of January 1, 2026, the OCC will eliminate examination activities not required by either statute or regulation, but instead only by OCC policy. As examples, the Bulletin noted that policy-based requirements for examiners to perform a fair lending risk assessment during every supervisory cycle and perform transaction testing for flood insurance coverage every three cycles will be eliminated.

The OCC’s full scope, on-site examination will return a “heightened focus” on “material financial risks.” Community bank examination activities may include streamlined testing methods, more limited sampling, and reliance on bank-provided reports as appropriate for a community bank’s activities and size, complexity, and risk profile. The OCC will also place more emphasis and reliance on quarterly monitoring activities. During quarterly discussions with bank management, examiners will focus on areas of significant actual or planned changes, including growth, to determine whether there are emerging or newly identified risks. Examiners will use this analysis and communication to better focus on actual risks facing each bank and to reduce disruption during the required on-site examination. And, the OCC has pledged that its examiners will attempt to leverage a community bank’s audit, risk management, reporting and other functions during its examination activities.

In [Bulletin 2025-28](#), the OCC announced the proposal of a [rule](#) to amend the agency’s licensing-related regulations to simplify requirements for corporate activities and transactions conducted by community banks. The proposed rule articulated the OCC’s



view that community banks generally present low levels of risk and engage in less complex activities, and are therefore comparable to “eligible banks” and “eligible savings associations,” which generally are well capitalized, have satisfactory composite and consumer compliance ratings, and are not subject to enforcement actions. The proposed rule would codify a definition for “covered community bank or covered community savings association” as an institution that: (i) has less than \$30 billion in total assets and is not an affiliate of an institution with more than that level of total assets; (ii) is “well capitalized”; and (iii) is not subject to a cease and desist order, a consent order, or a formal written agreement requiring action to improve its financial condition.

The proposed rule would provide a “covered community bank or covered community savings association” with access to all currently available expedited or reduced filing procedures, which include: (i) expedited review of applications to exercise fiduciary powers; (ii) expedited review of applications to establish or relocate a branch; (iii) expedited review of applications to relocate a main office; (iv) expedited review of applications by FSAs to increase capital; (v) expedited review of applications for a change in permanent capital by national banks; (vi) expedited review of business reorganizations; (vii) a streamlined application form if a transaction would result in a national bank or FSA with less than \$30 billion in assets; (viii) expedited review of capital distribution applications by FSAs; and (ix) expedited or reduced filing requirements for national banks establishing or acquiring an operating subsidiary or performing a new activity in an existing operating subsidiary.¹ The OCC would still retain the ability to extend the expedited review period or remove a filing from expedited review.

The OCC also issued several additional bulletins on October 6:

- (1) [Bulletin 2025-25](#) confirms that the OCC will no longer examine community banks using the procedures and standards in the “Retail Nondeposit Investment Products” booklet of the *Comptroller's Handbook*, although the community banks must still follow laws and regulations applicable to such product offerings.
- (2) [Bulletin 2025-26](#) provides flexibility to community banks to tailor their model risk management practices, including the appropriate frequency and nature of validation

¹ They also include situations that may arise less frequently for community banks, such as: (i) expedited review for charter applications when a holding company already has an eligible bank or savings association subsidiary; (ii) expedited review to convert to or from an FSA or national bank; (iii) exception from an application requirement for FSAs to establish or relocate a branch if public notice is published and no comments have been filed; (iv) approval requirements to issue or prepay subordinated debt in certain circumstances or to include subordinated debt or preferred stock in tier 2 capital; (v) circumstances requiring an application for capital distributions by FSAs; (vi) expedited review of notices to make investments in a bank service company for FSAs; and (vii) expedited review of applications by FSAs to establish or acquire a service corporation or perform a new activity in an existing service corporation subsidiary.

activities, commensurate with each bank's risk exposures, its business activities, and the complexity and extent of its model use.

- (3) [Bulletin 2025-27](#) announced a proposed rule to rescind 12 C.F.R. § 27, entitled "Fair Housing Home Loan Data System," based on a determination that the regulation is obsolete and largely duplicative of and inconsistent with other legal authorities related to collection and retention of applications for home loans.

Takeaways

- While the set of examination activities mandated only by OCC policy is relatively thin, the agency's elimination of those requirements demonstrate that it is seeking every opportunity to meaningfully reduce burdens on community banks.
- The focus on material financial risks during examinations should reduce the time teams spend on-site at community banks, decreasing the disruption caused by such visits and allowing management to allocate resources to other business matters both before and during such examinations. In addition, pre-examination request letters should be more streamlined, less burdensome, and more predictable.
- The emphasis on utilizing reports banks are already preparing or having prepared for them—such as internal compliance or audit reports, consultant analyses, or board summaries—should significantly reduce duplicative requests often encountered by bank personnel as they juggle competing productions with similar, although not identical, scopes during overlapping reviews. More fulsome discussion between examination teams and management should also allow the on-site portion of a supervisory cycle to be more confirmatory than exploratory.
- The proposed rule to allow community banks to utilize expedited or relaxed licensing procedures represents a policy judgment by OCC leadership that it is appropriate to substitute asset size for some of the other supervisory conditions to be deemed an "eligible" bank or FSA, which should allow many more institutions to use those expedited procedures. Well capitalized community banks that are not subject to enforcement actions should obtain quicker decisions from the OCC on their planned corporate activities, allowing banks to explore long-delayed strategic objectives, such as opening branches, establishing or acquiring subsidiaries, or a merger with another institutions.
- The Bulletins addressing retail nondeposit investment products ("RNDIPs") and model risk management, respectively, provide much-needed relief from examination procedures not appropriately directed at institutions of this size, and clarity as to supervisory expectations for community banks in these areas. For example, the OCC



recognizes in Bulletin 2025-25 that community banks have more limited RNDIP offerings, and that by relieving those banks of the need to comply with its examination procedures in this area, community banks may actually be more competitive in offering these products. In Bulletin 2025-26, the OCC confirms that banks are not required to perform annual model validation, despite examination teams' previous conversion of vague language in agency model risk management guidance into a de facto yearly validation requirement. As with other contemporaneous guidance issued by the agency, the OCC has affirmed that negative supervisory feedback will not be issued based on the frequency and scope of a bank's chosen model validation schedule.

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Luse Gorman, PC regularly advises financial institutions on regulatory and compliance developments of, supervisory relationships with, enforcement actions from, and licensing applications to, the federal banking agencies. If you have any questions related to this Legal Update, please reach out to Brendan Clegg at (202) 274-2034 or bclegg@luselaw.com, or your Luse Gorman contact. To learn more [about our firm](#) and [services](#), [please visit our website](#).

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