

# Community Banking Strategic Intelligence — August 2026

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**EXECUTIVE CONCLUSION** August made federal policy materially more favorable to new-bank formation — for insured banks; for uninsured applicants the Federal Reserve's separate payment-access decision is paused — while consolidation remained the stronger force shaping industry structure. The month's sellers were larger and somewhat less profitable than earlier-2026 targets, and buyer statements underscored the value of core deposits. These developments increase the competitive demands on independent community banks, but one month is not enough to establish a lasting change in seller quality or acquisition motivation.

## What mattered in August

Three conclusions organize the month, and a standing condition qualifies the first of them. First, the FDIC and OCC aligned publicly around a faster, clearer de novo process — but a charter is not, by itself, access to the payment system, and for one class of applicants the Federal Reserve has asked its Reserve Banks to stop deciding (section 4). Second, more openings do not yet offset the continuing loss of bank charters. Third, August transactions suggest that buyers were willing to pursue larger franchises where deposits, liquidity or market access justified the investment. Credit-union acquisitions and small-bank failures remain important, but they support the signals rather than the month's central story.

### 1 | The federal posture toward new banks changed

On August 10, 2026, the FDIC announced a two-phase review for deposit-insurance applications (note 1). Phase one targets a contingent authorization within 120 days of receipt. Phase two is approval within the following twelve months, once organizers complete the organizational steps and the FDIC confirms the pre-opening conditions. Applicants can generally file with the FDIC and the chartering authority at the same time.

The point of phase one is timing. In the FDIC's own words, organizers get clarity "before they expend significant time and financial resources on capital raising, staffing, infrastructure development, and other start-up activities." Under the previous process a group could spend a year and real money before learning whether the answer was yes.

On August 11, 2026, Comptroller Jonathan Gould endorsed the change and described de novo chartering as a sign of a healthy banking system. The OCC reported 40 de novo applications during the preceding 18 months, including national trust-charter applications, and said it had reached decisions within 120 days in many cases (note 2).

This is a meaningful policy change, but not proof of immediate industry expansion. Application activity had already been rising — deposit-insurance applications received went from 8 in 2024 to 19 in 2025 and 24 so far in 2026, on the FDIC roster whose latest agency action is August 21, 2026 (note 3) — and a contingent authorization is not an open bank. Charter approval, FDIC insurance, Federal Reserve requirements and final authority to open remain separate gates.

**BOARD IMPLICATION** New entrants will not transform most local markets immediately. The strategic issue is where they compete: specialized entrants can target deposits, payments, custody, digital assets or technology-led distribution without replicating a traditional branch network.

## 2 | The replacement gap narrowed, but did not close

Seven new insured banks had opened in 2026 on the FDIC's decisions roster, whose latest agency action is August 21, 2026, compared with four in all of 2025. Federal Reserve structure data, built September 2, 2026, counts eight through September 1, 2026 (note 3). Either measure confirms improvement from a very low base.

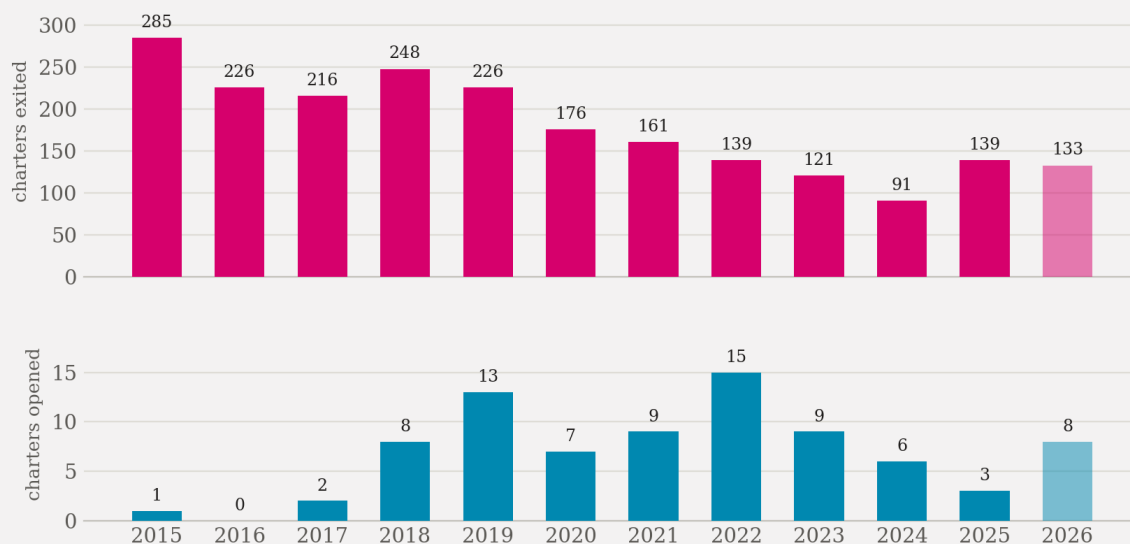
The difference between seven and eight is one bank, and it is worth naming rather than waving at. The extra charter is First City Bank of Alpharetta, Georgia, and it never applied for deposit insurance. It bought the charter and the FDIC certificate of Bank of Lumber City, Georgia — the smallest bank in the state at \$23.8 million — and reopened under a new number the day after the old charter ended. The FDIC's roster records grants of deposit insurance, so a bank that inherits one does not appear on it; the Federal Reserve records charters, so it does. Seven banks were newly insured this year and eight charters opened. Both numbers are right.

The structural imbalance remains substantial (Figure 1). Federal Reserve data show 133 charter exits against eight openings in 2026 through September 1, 2026. Since 2015, exits have exceeded openings every year — the industry has not added a net charter in any year on this record.

### The gap is closing. It has never closed.

Bank charters exited and opened, by year — two panels rather than two scales, because the counts are an order of magnitude apart. The industry has not added a net charter in any year on this record.

285 exits per opening in 2015 → 17 in 2026



Federal Reserve structure data. The final year is not over.

Figure 1. Charter exits still materially exceed openings. Source: Federal Reserve structure data; 2026 is partial-year data.

The ratio improved from 285 exits per opening in 2015 to about 17 in 2026. Two changes produced that, and they are not equal. Openings rose from 1 to 8 — a factor of eight. Exits fell from 285 to 133 — a

factor of just over two. **The improvement is driven far more by openings rising off a base of one than by consolidation slowing**, which matters because a base that small is fragile: openings have dropped by 40 percent or more from one year to the next twice on this record, from 15 in 2022 to 9 in 2023 and from 6 in 2024 to 3 in 2025.

Two cautions belong with Figure 1. The 2026 count is a partial year, current through September 1, 2026, so the comparison flatters the present. And consolidation is not currently falling: exits ran 91 in 2024 and 139 in 2025, and 133 in eight months of 2026. The long decline from 2015 is real; the recent direction is not the same thing.

For industry observers, that distinction matters. A more welcoming formation process can improve competition and innovation without reversing the long-term decline in bank charters. Boards should therefore plan around both forces: more specialized entrants at the edge of the market and continued consolidation at its center.

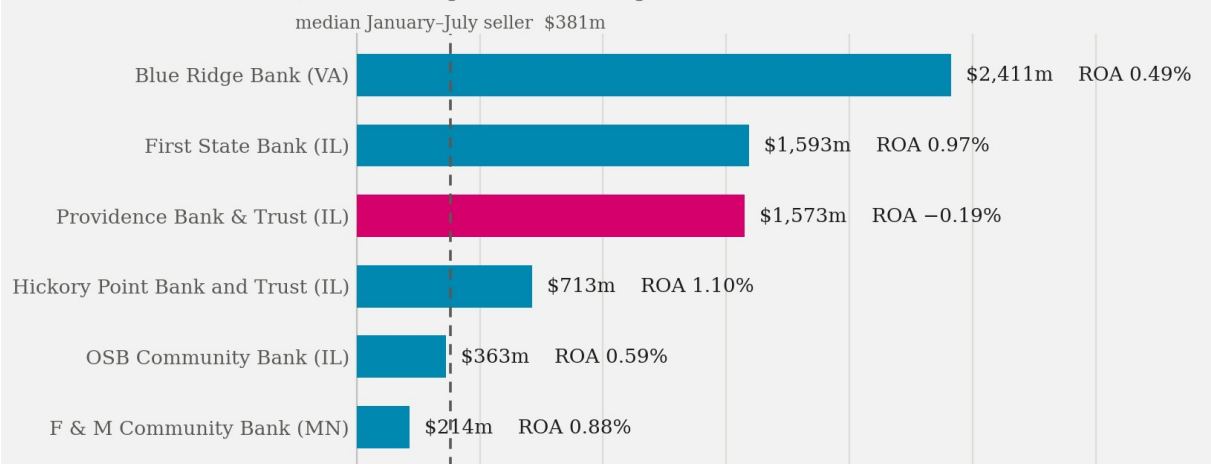
### 3 | August sellers were larger, and deposits mattered

Six of the seven August sellers carry a readable call report (Figure 2, note 4). Their median assets were about \$1.1 billion, compared with roughly \$381 million for measurable sellers announced from January through July. Their median return on assets was 0.74%, versus 0.96% for the earlier group. Providence Bank & Trust of Illinois, at approximately \$1.6 billion, reported a negative 0.19% return on assets.

The seventh seller is BankWyse of Wyoming, which holds a Wyoming special-purpose depository charter and is not yet in business. There is a charter but no bank, so there is no call report to read.

#### August's sellers were bigger, and one of them was losing money

Total assets at December 31, 2025. The magenta bar is the negative return on assets.



Call reports as filed with the FFIEC, at the last year-end before the deal; return on assets for the twelve months then ended. 6 of 7 August sellers carry a call report.

Figure 2. August sellers were larger than the January–July median; one was loss-making. Assets and return on assets are from call reports as filed with the FFIEC at the last year-end before the deal — December 31, 2025 for every bank shown. Year-ends are used rather than the most recent quarter because interim net income is year-to-date, so a bank measured in June and a bank measured in December are not describing the same span of earnings.

The data support an emerging pattern, not a settled trend. One month is a small sample, and only two announcements explicitly explained the funding rationale. Valley National Bank of New Jersey emphasized Providence's low-cost core funding base (note 6); First Financial Corporation of Terre Haute, Indiana highlighted the core deposits and balance-sheet liquidity of Hickory Point Bank of Illinois. Both targets held more deposits than loans, on the figures in the buyers' own announcements. That is evidence that deposits helped drive those two transactions — not proof that all August targets were purchased principally for funding.

Illinois supplied four of the month's bank sellers, matching the state's total for January through July. The concentration deserves attention, but it may reflect transaction timing rather than a durable state-level acceleration.

**INDEPENDENCE TEST A board does not need to conclude that scale makes a sale inevitable. It should be able to explain how the bank will fund technology, retain specialized talent, defend core deposits and earn competitive returns at its present scale.**

## 4 | The second gate: a charter is not payment access

Sections 1 and 2 count charters and applications. Neither counts what a charter is worth, and that turns on a separate decision by a different agency.

A charter from the OCC or a state authority, and deposit insurance from the FDIC, do not by themselves carry an account at a Federal Reserve Bank or access to Federal Reserve payment services. That is a second gate, decided by the Federal Reserve, and it is open business. On **May 20, 2026** the Board proposed a new **"payment account"** for institutions that clear and settle payments but do not need a full master account (Docket OP-1878, note 7). Comments closed **July 27, 2026**. No final action had been announced through this report's cutoffs, and none appears in the Board's press releases for August or September 2026.

Three things in the proposal bear directly on the formation story in section 1.

- **It does not create eligibility.** In the Board's words, the proposal "would not expand or otherwise change legal eligibility for access to accounts or payments services from the Federal Reserve." A new charter does not become eligible by being new.
- **A payment account is a narrower instrument than a master account.** Holders "would not have access to intraday credit or the discount window, would not earn interest on balances held at a Reserve Bank."
- **And decisions for one class of applicants are paused.** The Board encouraged Reserve Banks "to temporarily pause decisions on access requests from institutions that fall within Tier 3" until it completes the policy process. Board staff recommended "that the pause be expected to end on or before December 31, 2026."

**Tier 3 is not a technicality, and it is the cohort this report keeps counting.** The Board's 2022 account-access guidelines sort every requester into three tiers. Tier 1 is "eligible institutions that are federally insured." Tier 2 is institutions "not federally insured but are subject (by statute) to prudential supervision by a federal banking agency" — and, where the institution is chartered under federal law, it must also have "a holding company that is subject to Federal Reserve oversight." Tier 3 is the remainder: institutions "not federally insured and are not considered in Tier 2."

The second half of the Tier 2 test is what decides the question for this report. An uninsured national trust company chartered by the OCC is supervised by a federal banking agency, which satisfies the first half. Most have no holding company under Federal Reserve oversight, which fails the second — so they fall to Tier 3 and the strictest level of review. That is the charter type behind most of the digital-asset and fintech applications now on the OCC's list, and it is why an OCC charter and a settlement account are two different things.

**There is no state-supervision exemption, and this was argued and settled.** When state commenters urged in 2022 that their own regimes were comparable to federal supervision, the Board declined to treat them as equivalent: Tier 2 fits non-federally insured institutions the Federal Reserve supervises, "as the Reserve Banks already have supervisory information about, as well as regulatory authority over, such institutions." A strong state regime does not move an institution up a tier, and OP-1878 proposes no change to the tiering.

One thing the proposal does open to everyone: "while eligible institutions from any tier may request a Payment Account, the Board anticipates that most Payment Account requesters would be Tier 2 or Tier 3 institutions." The narrower instrument is aimed at the institutions the narrow gate is catching.

So the two gates point in opposite directions for different applicants. An insured de novo bank gets a faster FDIC process and is not in Tier 3. An uninsured trust charter can be granted by the OCC and still have no settlement account, and right now no decision on one either.

### The population behind the gate

Until now this section rested on a policy document. It does not have to. **The Board publishes the queue** in its Master Account and Services Database, and the figures below are read from it directly, current to **August 31, 2026** (note 8).

The file holds **179 access requests**: 97 approved, 42 still pending, 32 withdrawn and 8 rejected. Sorted by the tier assigned at submission, it is **117 Tier 1, 7 Tier 2, 48 Tier 3** and 7 not yet tiered.

**Read by tier, it is two different processes wearing one name.**

|                                    | Tier 1 (insured) | Tier 3 (uninsured, no Fed-supervised parent) |
|------------------------------------|------------------|----------------------------------------------|
| Requests                           | 117              | 48                                           |
| Approved                           | 94               | 3                                            |
| Rejected                           | 1                | 4                                            |
| Withdrawn                          | 7                | 20                                           |
| Still pending                      | 15               | 21                                           |
| Median days to approval            | 53.5             | 648                                          |
| Median wait of those still pending | 105 days         | 511 days                                     |
| Longest wait still pending         | 521 days         | 2,303 days                                   |

For an insured bank, gate 2 is a formality that clears in under two months. For an uninsured applicant it is a queue measured in years that three institutions in the file's history have reached the end of. The

648-day median rests on those three approvals and should be read as an order of magnitude, not a precise figure — but the direction is not in doubt at any sample size.

One composition point belongs with the pending column before any of that is read as a queue of would-be competitors. Nine of the twenty-one open Tier 3 requests are Puerto Rico international banking corporations and cooperativas, and they sit at the top of it. The 2,303-day longest wait is WTC International Bank Corporation of San Juan, Puerto Rico, filed May 11, 2020. Set those nine aside and the longest wait still pending is Acceleron Bank of White River Junction, Vermont, filed August 5, 2022 — 1,487 days. Both figures are read from the same file and both are true; the second is the one that describes an applicant at the banking perimeter this report otherwise covers.

### Three observations a board should take from that table.

**First, the commonest outcome for an uninsured applicant is not denial. It is giving up.** Twenty of the forty-eight Tier 3 requests were withdrawn against four rejected. Counting denials therefore understates how closed this gate is by a factor of five, and anyone tracking the perimeter by counting rejections is reading the wrong column.

**Second, the pause is visible in the data, and it is narrower than it sounds.** Tier 3 actions dated on or after May 20, 2026 number **two, and both are withdrawals** — Custodia Bank on May 21 and Wise National Trust on July 24. No Tier 3 approval and no Tier 3 rejection has been recorded since. The Board stopped deciding; applicants did not stop leaving.

**Third, Tier 3 is a slow queue rather than a closed door — which matters for what happens when the pause lifts.** Two perimeter institutions hold live accounts today without federal deposit insurance:

**Kraken Financial of Cheyenne, Wyoming**, effective January 28, 2026, and **Numisma Bank of Greenwich, Connecticut**, effective May 31, 2024. Both were granted before the pause began. Twenty-one Tier 3 requests are still open behind it, including **Anchorage Digital Bank, N.A.** — an OCC-chartered uninsured national trust bank, pending since August 28, 2025, and a worked example of the tier reasoning above.

*Observation on the medians — three approvals in the Tier 3 column. Established pattern on the withdrawal rate — twenty events. The comparison between tiers rests on one published population counted one way.*

The timing is the part a board should put in the calendar. The FDIC's first contingent authorizations are due in December on its own 120-day clock, and the Tier 3 pause is expected to end on or before December 31, 2026. **Both gates are scheduled to resolve in the same month**, and the answer to "did the de novo reforms work" depends on both.

**BOARD IMPLICATION** A competitor's charter announcement is not the event to react to. The event is settlement access, which is decided separately, later, and by a different regulator. Ask of any new entrant in your markets: insured or uninsured, master account or payment account, granted or still paused. An uninsured entrant without an account has to rent access from a correspondent bank — which may be a business for you before it is a threat.

## 5 | Secondary signals

### Credit unions: two channels of competitive pressure

Gulf Winds Credit Union of Florida agreed to acquire Madison County Community Bank of Florida, while the transaction between Interra Credit Union of Goshen, Indiana and The Hicksville Bank of Hicksville,

Ohio cleared an important Ohio state-law issue. Larger credit-union combinations also advanced: members of Launch Credit Union of Florida approved its merger into Suncoast Credit Union of Florida, and Truiliant Federal Credit Union of North Carolina moved toward combining with Piedmont Advantage Credit Union of North Carolina. These events affect banks directly through franchise acquisitions and indirectly by creating larger competitors with broader lending, marketing and technology capacity. They do not, however, establish that credit unions drove August's overall consolidation volume.

### **Failures: higher count, limited exposure**

Tioga-Franklin Savings Bank of Philadelphia, Pennsylvania was closed on August 21, 2026 with approximately \$68 million in assets and \$67 million in deposits, becoming the fifth insured-bank failure of 2026. Second Federal Savings & Loan Association of Philadelphia assumed the deposits. The FDIC put the cost to the Deposit Insurance Fund at \$5.5 million (note 5).

The five 2026 failures together held about \$694 million, and the largest of them, Community Bank and Trust – West Georgia, held \$288 million. Their combined cost to the Fund is about \$129 million. The count merits monitoring; the limited exposure does not indicate systemic instability.

## **6 | What to watch**

- Execution: whether the FDIC's first contingent authorizations meet the announced 120-day objective. Applications received from mid-August should begin producing them in December.
- The second gate: whether the Board finalizes the payment-account proposal, and whether the Tier 3 pause on access decisions ends on or before December 31, 2026 as staff recommended. Charter status and payment-access status are separate facts and should be tracked separately for every entrant. The Board publishes the pending access requests in its Master Account and Services Database (note 7), so the population sitting behind the pause is a matter of public record rather than inference.
- Deal progression: shareholder approvals, regulatory decisions, legal closings and systems conversions should remain separate lifecycle events.
- Seller profile: whether larger or weaker targets continue to appear and whether deposit value remains explicit in buyer communications.
- Competitive perimeter: whether novel applicants progress from preliminary decisions to insurance, payment access and actual opening.
- Distress: whether additional failures turn a small-number observation into a sustained pattern.

## **7 | Editorial conclusion**

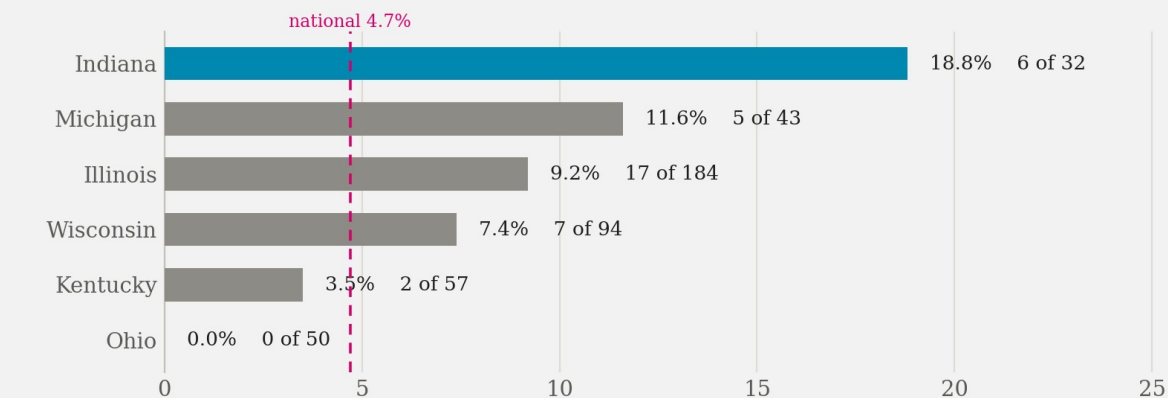
August's most consequential development was not transaction volume alone. Federal regulators made the pathway to new-bank formation clearer at the same time that mergers continued to remove charters. The result is a more demanding competitive environment: fewer traditional institutions, more varied charter models and greater strategic value attached to durable funding. That is important for community-bank directors, but the evidence still calls for restraint. The policy shift is established but incomplete — the second gate, payment access, is still open and for uninsured applicants is paused; the improvement in openings is real but modest, and rests on a base small enough that a single year could undo it; and the change in seller size and profitability remains an emerging pattern that should be tested against future months.

## Appendix | Indiana and its neighbors

Indiana is losing bank charters at a pace broadly consistent with the regional and national consolidation trend. What distinguishes the state is the destination of some of those charters. Six of Indiana's 32 charter exits since 2015 went to credit unions — 18.8%, compared with 4.7% nationally in the same charter-exit population, and the highest share among Indiana's neighbors rather than the middle of the pack (Figure A1).

### Indiana leads its neighbors, at about four times the national rate

Share of bank charter exits since 2015 that went to a credit union. Every figure here is drawn from one population — the same exits the national rate is computed on.



Federal Reserve structure data. A bank merged away is re-typed as a branch of its acquirer, so exits are identified structurally and not by name.

Figure A1. Indiana's credit-union share of bank exits is about four times the national rate, and leads its neighbors. Source: Federal Reserve structure data. Every figure in the chart is drawn from one population — the same exits the national rate is computed on.

The comparison is meaningful but should not be treated as evidence of acceleration, and the timing argues the other way. Three of the six happened in 2020, two in 2021 and one in 2025. There were none in 2022, 2023, 2024 or so far in 2026. Five of the six fall inside a two-year cluster that ended five years ago. The conclusion is narrower than a trend: credit unions have been an unusually important destination for disappearing Indiana bank charters, and there is no evidence in this record that the rate is rising.

Ohio's zero will not last. Ohio has recorded 50 charter exits since 2015 and not one of them went to a credit union; once the Hicksville sale closes it will be the 51st, and the first.

### The August Ohio decision

On August 12, 2026 the Ohio Division of Financial Institutions concluded (note 6) that The Hicksville Bank of Hicksville, Ohio could proceed with its proposed sale to Interra Credit Union of Goshen, Indiana. Ohio law does not say a bank may sell itself to a credit union; the authority comes from Ohio's parity statute, which lets a state bank do what a national bank may do, combined with the absence of an express prohibition. Interim Superintendent Ingrid E. White concluded that Hicksville "has the authority to engage in the proposed transaction and there is no basis for prohibiting or objecting to the proposed transaction."

The Division treated objections involving taxation, Community Reinvestment Act coverage and public deposits as legislative policy questions rather than grounds for prohibiting the transaction. It also declined to treat Interra's private share insurance as unsafe, noting that private share insurance is authorized by Ohio statute. Federal action remained pending: the merger application reached the FDIC on May 28, 2026 and was still pending in the FDIC's bulk record of application actions, which sees through July 31, 2026.

One structural detail matters for anyone counting charters. After closing, The Hicksville Bank winds up and dissolves. The charter ends outright rather than surviving as a branch of an acquirer, which is the ordinary pattern in a bank-to-bank merger.

For observers in Indiana and surrounding states, the decision is important because it removes one state-law obstacle in a transaction involving an Indiana credit union and an Ohio bank. It does not create a national rule, resolve federal approval or establish how another state would interpret its own law. Because the authority rests on parity, the answer in another state turns on that state's own parity statute.

## Method and source notes

1. FDIC, "New Review Process for Deposit Insurance Applications," August 10, 2026, and the accompanying two-phase procedures document. Both documents were read in full.
2. OCC News Release 2026-67, "OCC Commends FDIC Reform, Advances Priority to Reinvigorate De Novo Chartering," August 11, 2026.
3. New bank openings and deposit-insurance decisions are from the FDIC's own decisions roster, downloaded September 3, 2026, whose latest agency action is August 21, 2026. Charter openings and exits are from Federal Reserve National Information Center structure data, built September 2, 2026 — which is why the 2026 exit count reaches one day past the month end.
4. Bank size and return on assets are from FFIEC call reports at the last year-end before each deal, which is December 31, 2025 for every August seller. Two sources are involved and they do different work: our own transaction record (note 5) holds the transaction and the target's identifier, and our call-report database holds the curated quarterly call-report files. The target is matched from our record through Federal Reserve structure data to the bank that files the call report, and the figure is read from the call-report file. These are not June 30, 2026 figures, and no measure in this report is.
5. Failure dates, assets, deposits and Deposit Insurance Fund cost are from our own record of bank failures, which carries the FDIC release for each resolution. Tioga-Franklin's assets and deposits are corroborated by OCC Corporate Decision #1387, dated August 21, 2026. Figures are taken from that record, each traced to the FDIC's own release, rather than from the FDIC's summary page.
6. Issuer announcements and SEC filings for August transactions; Ohio Division of Financial Institutions letter dated August 12, 2026.
7. The second gate rests on four Federal Reserve documents, each read directly. (a) The Board's press release of May 20, 2026 proposing a payment account and revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests, Docket OP-1878, and (b) the accompanying Board memo dated May 7, 2026, which carries the staff recommendation on the pause and its expected end date. (c) The tier definitions are quoted from the final Guidelines for Evaluating Account and Services Requests, 87 FR 51099, August 19, 2022 — the operative text — and the Board's response to state commenters is from its preamble. (d) The

comment deadline of July 27, 2026 is from the Board's Proposals for Comment list, which shows a due date for each proposal and no status of its own, so a proposal remaining on the list says nothing about whether the Board has acted. The absence of final action is from the Board's own 2026 press release index, read for August and September 2026. Pending access requests are published in the Master Account and Services Database, last updated September 18, 2026; the memo cites the Tier 3 list as of February 28, 2026.

8. The queue figures in section 4 are counted from the access-request file in the Board's Master Account and Services Database, **data as of August 31, 2026**, which we captured on September 19, 2026. The as-of date is the one the Board's About page states; it is not the page's "Last Update" stamp, which read September 18, 2026 for the same August 31 data. The file is updated quarterly. Tier is the value the Board records at submission and is not a current classification. Live-account facts are from the companion holders file, 8,389 rows, 361 of them not federally insured. The counts were made by program directly from the file; no figure in this section was derived by hand.

**Population note.** "Opening," "charter exit," "deposit-insurance application" and "national trust-charter application" are different populations. Counts should not be combined without reconciliation. Three cutoffs are live in this report and they are not interchangeable. Transaction figures are current through August 31, 2026. Charter openings and exits from Federal Reserve structure data are current through September 1, 2026. Deposit-insurance applications and decisions from the FDIC roster are current through August 21, 2026, its latest agency action; the FDIC's bulk record of application actions sees only through July 31, 2026. Every figure above names the one that applies to it. 2026 comparisons are partial-year observations.

**Provenance.** Every transaction figure in this report comes from a primary record: federal data, regulators' filings or the banks' own announcements. Figures and charts reflect our record as it stood on September 17, 2026. Structural counts are from the Federal Reserve extract built September 2, 2026.

*Revised for readability on September 23, 2026. The facts are unchanged.*