Supporters of S. 2155, the biggest legislative rollback of banking rules since the financial crisis, constantly invoke the travails of community banks to justify this deregulatory measure. In fact, not only does the bill include massive gifts to very large banks, but the stories supporters tell about the situation of community banks – and why this bill is needed to address them – do not hold up either.

Dodd-Frank did not spark a decline in the number of small banks. The trend of a declining number of small banks predates Dodd-Frank by 20 years. Even more striking, a Richmond Fed study that examined the health of small banks after the crisis found the weak economy *caused by* the financial crisis that accounted for small bank failures or consolidation, not new regulations.

Community banks are currently very profitable. Over 95% of community banks are making a profit today, vs. 79% when Dodd-Frank was passed, according to the FDIC. The last three years have seen record profits for banks of all sizes.

Consolidation is under way among small and midsize banks, but not because big banks are swallowing them. What's more, rather than addressing consolidation, S. 2155 will in fact encourage further consolidation.

Singing a similar tune to that of many supporters of S. 2155, Sen. Jon Tester explained his support for the bill by saying: "As a result of complying with these regulations, many of our community bankers are hanging up their hats and our local banks are being swallowed whole by the big boys on Wall Street."

The facts on the ground look quite different. In Montana, The Associated Press found that of the 25 bank mergers or acquisitions since 2010, all but three of the community banks being acquired were bought by other Montana-based banks. The largest among the acquiring institutions, First Interstate Bank, has $12 billion in assets. The next largest, Glacier Bancorp, has just over $10 billion in assets.

Americans for Financial Reform examined the data in four other states where one or both senators voted for voted for S. 2155: Indiana, Virginia, North Dakota, and Nevada. This pattern of small to moderate sized banks acquiring other banks, and scant involvement of large banks, holds true in each state. There has been no epidemic of megabanks buying community banks in these states since Dodd-Frank passed in 2010.

In **Indiana**, 23 commercial banks since 2010 are no longer independent due to mergers and acquisitions. The acquiring banks were a group of 12. All but 3 of them (Old National Bank of Indiana, Chemical Bank of Michigan, PNC Bank) currently have assets below $10 billion, and only 2 of these are not based in Indiana. PNC Bank will evade enhanced oversight under S. 2155.

In **Virginia**, 29 banks are no longer active due to mergers and acquisitions since June 2010. A single bank failed outright. There were a total of 20 acquiring banks, only one of which currently has total assets above $10 billion. Of the acquiring banks, 13 are based in Virginia and another 7 are distributed across West Virginia, North Carolina, and Maryland.

In **North Dakota**, since June 30, 2009, 11 banks are no longer active due to mergers and acquisitions. All of the 10 acquiring banks are commercial banks with assets below $10 billion and are based in North Dakota.

In **Nevada**, 11 banks failed, with some being acquired as a result, since 2010, and 10 banks are no longer independent due to mergers and acquisitions. Among 18 acquiring banks, 11 have assets below $10 billion, and 7 have assets above, with 2 above the $50 billion threshold. These later two, BB&T and Zions First National Bank, fall into the category of those that will benefit from S. 2155.

S. 2155 actually encourages already large banks to get still bigger, including by acquiring smaller institutions. The Crapo bill curbs supervision of banks with assets between $50 and $250 billion, getting rid of enhanced oversight that was put in place to make sure very big institutions are safe.   Analysts are already predicting an increase in the number of acquisitions by these already large banks in anticipation of the bill becoming law.

Bluntly put, with no enhanced oversight if they surpass $50 billion in assets, large banks have more reasons to acquire smaller ones, events that usually lead to layoffs and branch closures.

Mike Mayo, a prominent banking analyst with Wells Fargo has predicted this will be the case, and researchers at Barclays have come to the same conclusion. The research firm Compass Point predicts that enactment of S. 2155 will “bolster burgeoning M&A tailwinds.” Signature Bank, with about $43 billion in assets, has complained about the 50 billion dollar threshold because it effectively limits their growth. Reuters predicts an “M&A wave” if S. 2155 passes, something the CEO of a mid-size bank admitted:

“To the extent that $50 billion gets up to $250 billion, as is being talked about, that will certainly help take a very large impediment out of the way and you’ll likely see more M&A activity,” said Rajinder Singh, chief executive of Miami Lakes [Florida]-based BankUnited Inc., which has $30 billion in assets. “If it goes to $250 [billion], that’s the pressure off.”

The arguments supporters have made on S. 2155 regarding community banks don’t hold water. But if S. 2155 passes, more, not less consolidation will be the result.