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Media Contact:

Name: LaJuan Williams-Young

Phone: (202) 898-3876

Email: lwilliams-young@fdic.gov

FDIC Announces Additional Research on Community Bank Trends Article on Rural Depopulation and Its Impact on Community Banks Published in FDIC Quarterly

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today published an article in its FDIC Quarterly on the trends in rural depopulation and the implication of these trends on rural community banks. Overall, banks in areas affected by declining population are performing relatively well, but achieving growth and succession remain important challenges, according to the article titled "Long-Term Trends in Rural Depopulation and Their Implications for Community Banks."

Rural depopulation has been ongoing for over a century, and the paper examines the recent 30-year period from 1980 through 2010. Half of rural counties in the U.S. experienced a decrease in population between 1980 and 2010, compared with 12 percent of their counterparts in metro areas. The regions that experienced the most rapid depopulation during this period are located in the Great Plains, which reported declining population in 86 percent of its rural counties and the Corn Belt, which saw a drop in residents in 59 percent of its rural counties. Other regions with concentrations of rural counties that experienced depopulation during the study period were the southern Mississippi Delta and Appalachia.

More than 1,000 banks with \$150 billion in assets are headquartered in rural counties where depopulation is occurring. These banks have recently experienced relatively strong financial performance, however, mainly due to their concentration on lending to the agricultural sector, which has outperformed other business segments during and after the recent recession.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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The article concludes that the biggest obstacles bankers face in rural areas with depopulation are sustaining growth amidst a shrinking customer base and finding qualified management to fill vacancies. In 2004, the FDIC published a similar research paper on these trends.

"Community banks have demonstrated their continued resilience and value in the American financial system," said FDIC Chairman Martin J. Gruenberg. "I am particularly encouraged by our findings that banks operating in areas with a declining customer base are overcoming the additional hurdles rural depopulation poses and in many respects are outperforming their counterparts in other areas of the country. Comprehensive research covering the community banking sector is critical to formulating policies that are well-informed as to the particular challenges community banks have faced and the trends that will shape the sector in coming years."

As part of its Community Banking Initiative, the FDIC announced a number of actions in the fall of 2011 focused on understanding of the evolution of community banks over the past 25 years and the challenges and opportunities this segment of the banking industry faces.

The study, Long-Term Trends in Rural Depopulation and Their Implications for Community Banks, will be published in the next edition of FDIC Quarterly.

Attachment: Long-Term Trends in Rural Depopulation and Their Implications for Community Banks - PDF (PDF Help)

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