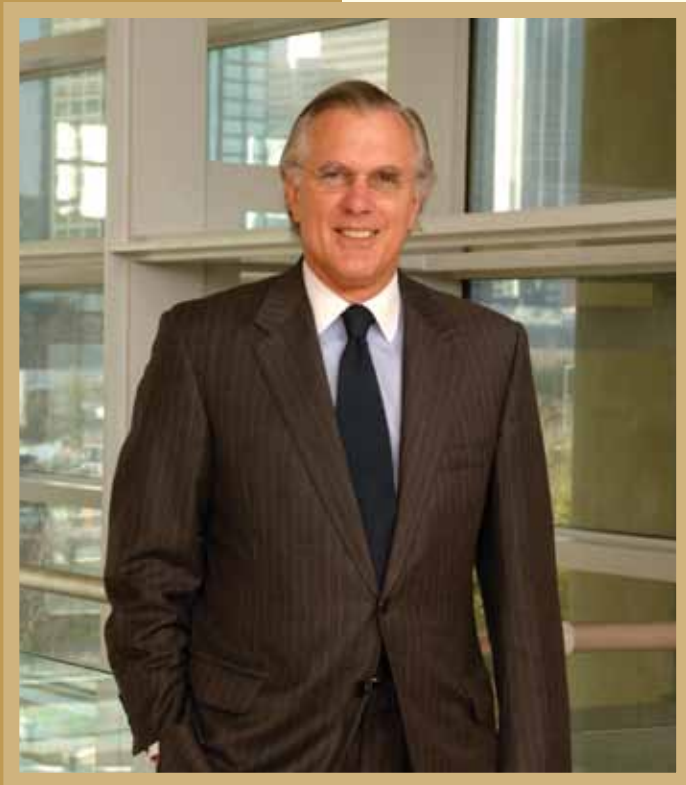


President's Perspective



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The financial crisis put a spotlight on the health of the largest financial institutions and their impact on the economy. While these enormous entities dominate the financial system, they are by no means the only game in town. Often overlooked is the economic impact of the relatively small banks on Main Street—community banks.

These institutions—locally owned and operated banks with total assets of less than \$10 billion—have stepped in to support, and in many cases even become, the local banking system.

Since they do not answer to distant directors, community banks can make decisions quickly, giving them the flexibility to extend credit in places larger institutions may miss. Community banks are an important source of credit for local enterprises, holding close to 60 percent of small business loans outstanding. Most important, community bankers truly “know their customers,” as the old banking adage goes—not just from interactions in the office but from contacts at civic clubs, restaurants and churches.

Community banks have a fairly large national presence—despite holding only about a quarter of total industry deposits, they account for about 99 percent of all U.S. banking institutions.

Community banks have a substantial presence in the Eleventh District, matching the nation’s 99 percent of banking institutions. In contrast to the nation, community banks hold close to 40 percent of the district’s total deposits and almost two-thirds of its outstanding small-business loans. This extensive community bank presence—when combined with the larger regional banks that call the district home—adds to the diversity of our banking industry.

Given the reach and impact of these banks, it is essential for the formulation of sound monetary policy that we understand the ins and outs of their industry. To gain that insight, I rely heavily on input from the local bankers on the Dallas Fed’s board of directors, our regional research team and our bank supervision staff, which interacts with community and regional banks on a routine basis.

Regular, in-depth assessments of our smaller, local banks—a sample of which *Southwest Economy* readers will see in the pages that follow—better prepare me to participate in Federal Open Market Committee deliberations on national monetary policy.

A handwritten signature in gold ink that reads "Richard Fisher".

Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas