



Chicago Fed Insights, January 2026

Community Banking: Charting the Course—A Conference Recap

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The 19th Annual Community Bankers Symposium, hosted by the Federal Reserve Bank of Chicago, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and Conference of State Bank Supervisors, was held on October 10, 2025, and brought together community banking professionals with senior policymakers and industry experts to discuss challenges and opportunities affecting community banking in areas including current industry developments, cyber risk, the economics of banking, fraud vigilance, contingency funding, and other bank supervisory issues. Ric Brunskill, senior vice president over Regional and Community Bank Supervision in the Federal Reserve’s Seventh District, kicked off the symposium, noting it as a place for bankers and regulators to safely discuss new ideas and concepts and to be able to challenge each other. Organizers chose Charting the Course as the theme to encourage attendees to consider how they will fit into a world where artificial intelligence and digital assets offer new sources of revenue but require new skills and management of present risks.

Austan Goolsbee’s Opening Remarks

Chicago Fed President and CEO Austan Goolsbee opened the symposium by noting that “community banks are the economy’s engines of progress and growth—and often the very first place the public goes for financial advice.” Community banks get to know their customers on a very personal level, he said, whether it’s an aspiring small business owner securing a loan, a family purchasing their first home, or a worker planning for retirement.

Goolsbee acknowledged that community banks face significant challenges ahead, including changing technology, shifting market dynamics, and an evolving regulatory environment. He emphasized that engagement beyond formal examinations, through forums like the Community Bankers Symposium, is essential for addressing these ongoing challenges collaboratively.

Fireside Chat Keynote: Community Banking at a Crossroads

In a fireside chat with Brunskill, Conference of State Bank Supervisors President and CEO Brandon Milhorn talked about the current supervision and regulation landscape and opportunities he sees for regulators to tailor their existing frameworks. He emphasized that while supervision is essential to maintaining trust and stability, it must be balanced, transparent, and tailored, particularly for community banks that face rising costs and regulatory and competitive pressures. Highlighting urgent challenges, from innovation constraints and unclear guidance on tokenized deposits to the potential impact of stablecoin growth, he called for reforms that ensure community banks can thrive in a rapidly evolving market. He emphasized that any regulatory reform must be balanced and enduring. “Bankers need a stable and consistent regulatory framework, and we must avoid big pendulum swings,” Milhorn said.

The ABCs of the Discount Window

Chicago Fed Credit Risk Supervisors Jeffrey Lewis and Evan Mielke discussed the Federal Reserve’s discount window and its goal of ensuring that depository institutions have access to liquidity in times of need. The discount window offers contingent liquidity through three distinct lending programs: 1) primary credit for financially sound institutions, with a composite rating of 1-3 in CAMELS criteria, offering both overnight borrowing and loans up to 90 days at an interest rate closely

aligned with the federal funds rate; 2) secondary credit for banks with composite ratings of 4 or 5 for shorter-term borrowing needs, typically overnight; and 3) seasonal credit with borrowing maturities of up to one month but carrying added reporting requirements.

The speakers shared details about the borrowing process. Accepted collateral includes fixed-income securities and loans, they said, and a more detailed list of accepted collateral is available on frbdiscountwindow.org. Pledged securities offer the quickest way to tap the discount window, while pledged loans is a more involved process. Pledged loans, Lewis and Mielke explained, can be employed either in the borrower-in-custody program, where the depository institution retains possession of the underlying collateral, or in the vault program, where the collateral is physically held at a regional Federal Reserve bank and is typically for borrowers with elevated risk profiles. Once the appropriate documentation is reviewed, collateral is pledged, and Uniform Commercial Code filings are in place, depository institutions can gain access in two business days, Lewis and Mielke said. They encouraged bankers to routinely test access to discount window access to ensure a smooth funding process.

Artificial Intelligence Simplified

Kendra Ramirez, CEO of KR Digital Agency, a digital marketing firm that specializes in artificial intelligence solutions, offered insights for banks and regulatory agencies designed to simplify their use of AI. Ramirez highlighted AI's transformative potential, essentially offering "ten Ph.D.-level employees for just \$20 a month," and emphasized adopting an AI-first mindset by identifying suitable tools, understanding use cases, and being aware of pitfalls. "AI is not here to replace humans but to augment our capabilities and drive efficiency," she said.

Ramirez encouraged audience members to treat AI like a new team member that will need feedback and training to improve performance. She cautioned against sharing personal identity and other sensitive information with AI and stressed the need for human involvement to ensure accuracy and relevance and to protect against security risks.

Ramirez also encouraged regulators to consider how AI might enhance decision-making, improve compliance monitoring, and streamline administrative tasks—all ways to drive efficiency and innovation without replacing human roles.

When considering how to adopt AI technologies, she advised starting with a small AI task force to identify the right tools and creating an action plan for effective integration.

Keynote: Financial Sector Cyber Risk and Threat Trends

George Wade, senior strategic cyber threat intelligence advisor from the Federal Reserve National Incident Response Team, focused on cyber risks and threat trends in the financial sector. He described geopolitical tensions, cybercrimes, third-party risks, emerging technology, artificial intelligence, and quantum computing as contributors to the complexity of the cyber playing field. Phishing, ransomware, and distributed denial of service attacks are the top risks facing financial institutions, he said, further cautioning that third-party service providers pose additional risks due to interconnectivity and create a "one-to-many" return for attackers, making it difficult to stop attacks and predict their impact.

Wade said adversaries might use AI to strengthen their attacks and stressed the importance of continuous oversight and risk assessments.

Economic Summary

David Krisch, a senior economist at the Office of the Comptroller of the Currency, provided an economic update that included an overview of recent U.S. economic conditions as well as Midwest-specific commercial real estate performance. Overall, the Midwest commercial real estate market stabilized this year, he said. Multifamily sales volume returned to pre-pandemic levels with vacancies holding steady or improving. Hotel performance was mixed, where more budget-friendly properties outperformed luxury properties. Des Moines is the only major metropolitan area with declining hotel occupancy, according to Krisch, while St. Louis reported the strongest growth with a 13% year-over-year increase in the closely watched metric of revenue per available room. Weaknesses within the manufacturing sector have led to lower demand for industrial space, particularly in Chicago and Milwaukee, he said, with further deterioration expected over the next two years.

Fraud in Banking

Steve Gonzalo, president and CEO of American Commercial Bank and Trust of Ottawa, Illinois, and a member of the Chicago Fed's Community Depository Institution Advisory Council, led a discussion on persistent types of bank fraud. Citing a 2025 Community Bankers Association of Illinois (CBAI) survey, Gonzalo said that more than 90% of the group's members experienced fraudulent check returns and losses associated with check fraud were exceeding credit losses. The survey indicated that community banks were noting that credit unions and the largest financial institutions in the country were often the conduits of this type of fraud, and they were the most difficult to work with to correct the problem. He said a

common denominator was accounts being opened at large banks and credit unions without due diligence or follow-up, often allowing fraudsters to open accounts remotely at multiple banks across the country. Large bank bureaucracy coupled with tight return check timeframes and in conjunction with delays in fraud identification or processing has restricted community banks' ability to secure reimbursement, said Gonzalo.

Gonzalo provided the audience with a "Top Ten List" of bank check fraud examples, most of which were so obvious as to be laughable—if they didn't involve customers' hard-earned savings and, oftentimes, the safety of postal workers. The use of Positive Pay was one way to stop this type of fraud upfront, he said, as fraudulent check returns are limited to 24 hours, but claims can take over 6 months to process. He also encouraged community banks to file complaints and help regulators force large banks and credit unions to resolve disputes over bad checks in a timely manner and to strengthen their account opening and monitoring controls. Gonzalo expressed his appreciation to the CBAI and other banking trade groups for their help in raising awareness of these issues and strengthening the U.S. payments system.

Regulator Panel: Evolution in Banking the Constant for Community Bankers

Assistant Deputy Comptroller Andre King of the Office of the Comptroller of the Currency (OCC) moderated this panel to discuss perspectives on current banking conditions and concerns from each representative of the agencies that supervise community banks. Brunskill noted that Chicago Fed member banks are currently relatively stable with pressure on earnings, particularly the net-interest margin. Assistant Regional Director Rob Masterson of the Federal Deposit Insurance Corporation highlighted succession management as a key part of ensuring ongoing and continued success for banks, stating, "Banks need to know who key people are, and what keeps the bank going." Associate Deputy Director Kristy Orr of the Indiana Department of Financial Institutions stressed the importance of third-party risk management as a key component for banks when innovating. Assistant Deputy Comptroller Tim Rowe of the OCC discussed recent OCC guidance letters dealing with the elimination of fixed-examination requirements and proposed rulemaking centering around identifying unsafe practices and how they are to be defined going forward. King closed the panel and symposium by highlighting that although there are changes occurring in the banking industry, a constant is our community bankers and the important role they play in their communities.

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