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# What Is Community Banking?



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“Community banking” is a term that is often heard, but not always understood. While some define a community bank as one that operates below a specific dollar amount in asset size, technically there is no legal definition. At the Indiana Bankers Association, though, we have a clear view of what our 116 member banks are – they are taxpaying, depository financial institutions that help build better communities.

The key is relationships. Whether in person or through digital means – especially during pandemic times – community banks provide lending and depository services to their customers by fostering close relationships and actively engaging in their communities. Community banks are community helpers, continually assessing local needs and assisting through donation of time, talent and treasure.

IBA-member banks, like community banks nationwide, maintain deep ties to the communities they serve. Community banks take deposits, which sets them apart from mortgage brokers, independent mortgage companies, insurance companies and other transactional finance companies. Community banks also pay their fair share of federal taxes, distinguishing them from credit unions, which pay no federal tax dollars, despite having grown to a \$1.75 trillion industry.

Being relationship-based is woven into the fabric of community banking, because community bank customers are more than clients to bank associates – they are neighbors, friends and members of the

same community. Within Indiana, there are more than 30,000 banking professionals serving their fellow Hoosiers from 2,000+ branches and offices across the state.

Community banks thrive when their communities thrive, and bank associates work hard to keep their ties strong and support their communities. Each year, Indiana’s community banks donate nearly \$30 million to a variety of community causes, plus provide additional financial support through local fundraisers and in-kind donations. This help has been especially important during the pandemic, such as for nonprofits that normally raise funds through chili cookoffs and other events that had to be canceled.

Community bankers also give generously of their time and talent, donating more than 250,000 hours annually in Indiana alone to help causes ranging from rolling up their sleeves to help stock food pantries to hosting toy drives at branches to serving in volunteer leadership roles for civic organizations. Bankers are pillars of their communities not only for their financial help, but also for their leadership support.

Another form of community bank engagement is helping to elevate the financial literacy of community members, both children and adults. More than 100,000 Indiana school-aged children each year benefit from bank financial literacy outreach, as well as 25,000+ adults. Banks also engage in public messaging to keep Hoosiers informed, for example by posting warnings on bank social media platforms about pandemic-related scams.

Lending is another means of community banks helping their communities. A striking example is the Paycheck Protection Program, a provision of the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) passed by Congress last year. PPP loans, backed by the Small Business Administration, enable small businesses to meet payroll throughout pandemic closures, preventing layoffs and preserving livelihoods.

PPP loans rolled out in early April 2020, and financial institutions were essential to making the program possible by processing loan applications

on behalf of small businesses through an online portal of the SBA website. Initially there were multiple portal crashes, resulting in delay and frustration, but community bankers persevered, and eventually the technical difficulties were resolved.

Then came a remarkable moment in banking history. Because the first outlay of PPP dollars was limited, timing became a critical issue. Bankers were in a race against the clock to process as many loan applications as possible before funds would be depleted. Indeed, that first rollout of funds lasted only two weeks, during which time community bankers worked Saturdays, Sundays and at times literally through the night to keep up with demand.

As a result of this hard work, by the end of 2020 IBA-member banks had helped bring nearly \$10 billion in support to Indiana small businesses through PPP loans. This outreach far exceeded the involvement of the credit union industry, leaving community banks to shoulder the bulk of the responsibility in providing this urgent support.

Now in 2021, a new round of PPP loans has begun and, as of Jan. 24, Indiana banks have assisted in securing 6,800 loans totaling \$683,227,848 to support small businesses statewide. IBA-member banks will keep working with their communities through PPP loan applications and other means of support to help mitigate the effects of the pandemic.

While COVID-19 is still with us, rest assured that community banks continue to provide stability and support to Indiana communities. About 70% of IBA-member banks have been in operation a century or longer, helping their communities withstand flood, famine and drought; two World Wars, the Korean War and the Vietnam War; the Great Depression and several recessions. Community banking is here to stay, ensuring that their communities survive and thrive.

*The Indiana Bankers Association supports Indiana banking through issues advocacy, professional education, and products and services that enhance financial institutions’ ability to help build better communities. Visit [indiana.bank](http://indiana.bank) for more information.*

