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May 12, 2026

The Honorable Scott Bessent
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Kevin Hassett
Director, National Economic Council
The White House
1600 Pennsylvania Ave. N.W.,
Washington, DC 20500

Dear Secretary Bessent and Director Hassett:

On behalf of community banks across the country, with nearly 45,000 locations, the Independent Community Bankers of America (“ICBA”) writes to express serious concerns regarding a potential executive order (“EO”) requiring banks to collect and verify customer citizenship status as part of customer onboarding or ongoing customer due diligence. Such a mandate would impose substantial operational, compliance, and supervisory burdens that fall disproportionately on community banks, threatening their ability to serve the small businesses, farmers, and families in local communities safely and sustainably. For these reasons, we strongly urge the Administration to refrain from issuing an EO on this topic. Should plans to issue this EO nonetheless proceed, it is imperative that community banks be fully exempted.

Community banks are a vital source of credit for households, small businesses, and farmers, and they play an essential role in supporting local economic activity across the country. Policies that undermine depositor confidence or restrict access to basic banking services risk, triggering deposit outflows, whether immediate or gradual, that would directly constrain lending capacity. Reduced deposit funding limits loanable funds, particularly for small-business and rural lending, residential mortgages, consumer credit, and other financing that fuels local economies. Over time, these dynamics could create liquidity pressures, and suppress investment, contributing to broader economic weakness given the importance of consumer spending and business investment to overall economic growth.

Community banks already operate under rigorous know-your-customer (KYC) and customer due diligence requirements as part of the Bank Secrecy Act’s (BSA) Customer Identification Program rules. These requirements obligate banks to collect and verify customer identity information at account opening, assess the nature and purpose of customer relationships, develop customer risk profiles, and conduct ongoing monitoring to identify and report suspicious activity throughout the life of the account. Imposing a new mandate to collect and verify customer citizenship status would compound these existing requirements by adding a duplicative, low-value data collection and re-verification obligation that is unrelated to financial crime risk and inconsistent with a principles-based BSA framework.

Moreover, this requirement would undercut ongoing regulatory relief efforts aimed at advancing a risk-based framework that allows banks to shift resources away from low-risk, low-value tasks and toward higher-risk priorities. Mandating the collection and verification of citizenship status would divert limited community-bank resources toward activities that do not meaningfully enhance financial system integrity. In doing so, it would weaken the effectiveness of risk-based compliance and contradict recent efforts by Treasury and the federal banking agencies to tailor regulation and reduce unnecessary burden on community banks.

If an EO were to require banks to collect and verify customer citizenship status, the impact would fall disproportionately on community banks and the communities they serve. Community banks are relationship-based institutions rooted in their local markets. While community banks are deeply committed to serving their customers, some operate with limited compliance infrastructure, constrained resources, and modest operating margins.

Furthermore, the operational challenges posed by citizenship verification underscore why community banks should be exempt. Bank personnel are not immigration experts, and determining citizenship status, particularly where legal status and citizenship may be conflated, would require extensive training, and subjective judgment. These determinations would expose community banks to heightened legal, regulatory, and reputational risk. The challenges are compounded by the lack of standardized documentation, especially for customers who do not possess passports or birth certificates or who cannot reasonably obtain such records.

The EO could also produce significant unintended consumer consequences. Citizens who are unable to provide required documentation may be pushed out of the regulated banking system altogether and into nonbank financial service providers that operate outside federal prudential oversight and consumer-protection frameworks. Increased reliance on payday lenders and check-cashing services would expose Americans to higher costs and cycles of debt, while increasing the number of underbanked and unbanked households.

It is important to recognize that according to the U.S. Department of State, only 45–50 percent of U.S.-born Americans hold a U.S. passport. Conditioning access to basic banking services on possession of a passport or similar federal documentation would therefore exclude millions of U.S.-born citizens from the financial system who lack such documents for practical, financial, or historical reasons.

Another significant concern raised by a potential EO is the challenge of determining what constitutes sufficient proof of citizenship across diverse customer populations. Many individuals born in the United States (U.S.) rely on alternative forms of identification that are widely accepted for federal, state, or institutional purposes for various reasons. Those individuals include:

- **U.S.-born individuals without passports:** Many U.S. born citizens, particularly lower-income, rural, or elderly individuals, have never held a passport and may not have ready access to a certified birth certificate, relying instead on secondary records for identification.
- **Amish and other plain-Anabaptist communities:** Many Amish individuals (and members of closely related plain communities such as Old Order Mennonites) do not obtain passports and may be born at home without routine hospital documentation. Some rely on church records, family Bibles, or locally issued delayed birth certificates, and may face cultural, religious, or

practical barriers to engaging with formal vital-records systems, making strict citizenship documentation requirements particularly difficult to satisfy.

- **Elderly and rural populations:** Older Americans, especially those born at home or in rural or segregated communities, may lack formal birth records or face significant barriers obtaining replacement documentation decades later.
- **Native American and Alaska Native individuals:** Many tribal citizens rely on tribal enrollment cards, Certificates of Degree of Indian Blood (CDIB), or other sovereign tribal identification, which are recognized for federal, state, and tribal purposes but may not align with rigid federal citizenship-documentation frameworks.
- **Individuals affected by historic recordkeeping gaps:** Certain populations, particularly those born during periods of poor or inconsistent birth registration, may rely on delayed birth certificates, hospital affidavits, census records, or Social Security records instead of primary citizenship documents.
- **Survivors of natural disasters or displacement:** Citizens whose original documents were lost or destroyed in floods, fires, hurricanes, or other disasters frequently rely on replacement or alternative records that establish identity but fall outside narrow definitions of acceptable proof.
- **Low-income and underbanked individuals:** Those with limited financial resources may lack the means, time, or access necessary to obtain passports or certified vital records, relying instead on government issued state identification, Social Security cards, or institutional documentation.
- **Individuals with name or record discrepancies:** Customers whose records reflect name changes due to marriage, adoption, or clerical errors may face documentation mismatches that complicate strict document-based verification of citizenship despite long-standing lawful presence and identity.
- **Individuals interacting primarily through state, local, or institutional systems:** Many individuals born in the United States establish identity through school records, state benefit programs, military records, or correctional systems rather than through the federal passport or immigration framework.

Requiring banks to assess alternative documents and validate the citizenship status of U.S.-born citizens who do not have access to certain specific identification documents would place institutions in the position of making subjective determinations, thereby exposing them to heightened legal, supervisory, and reputational risk. Such assessments could also lead to inconsistent treatment of customers, potential discriminatory outcomes, and erosion of customer trust.

New citizenship-related data requirements would directly undermine current efforts to tailor regulation, reduce unnecessary burden, and shift the BSA framework toward more effective, risk-based resource allocation. Core processing systems and related BSA platforms would require costly and complex modifications to capture new data elements, implement monitoring changes, and meet recordkeeping requirements. For community banks with limited compliance infrastructure, these changes would force

a reallocation of scarce resources away from higher-risk, outcomes-driven activities, such as transaction monitoring, investigations, and sanctions compliance, and toward lower-risk data collection and documentation review. Additional resources would also be required to train frontline staff to assess acceptable citizenship documentation, significantly increasing compliance costs and operational burden. An exemption or safe harbor for community banks is therefore essential to avoid diverting limited resources away from activities that most directly protect the financial system and support local economic growth.

Additionally, any retroactive application of such a requirement would be particularly problematic. Requiring banks to collect citizenship information for existing customers could result in adverse examination findings despite good-faith compliance efforts and force institutions into difficult decisions regarding account closures for customers unable to produce documentation they may never have had. Such account closures could impair loan repayment, disrupt cash flows, and increase credit and insolvency risk for both banks and borrowers.

The risk of increased debanking is also a concern, especially as policymakers and regulators continue working to curb this issue and ensure access to the regulated financial system. Debanking has drawn heightened scrutiny from Congress and federal regulators, who have repeatedly emphasized the importance of individualized, risk-based decisions over blanket de-risking. Interagency statements, congressional oversight, and broader BSA reform initiatives have sought to improve supervisory clarity, promote consistency in examinations, and ensure that compliance expectations do not unintentionally exclude lawful customers from banking services. Any mandate requiring the collection or verification of citizenship status risks undermining these efforts by encouraging overly restrictive account-opening and account-maintenance practices thereby further restricting access to mainstream financial services for lawful individuals and small businesses.

Given these concerns, ICBA strongly encourages the Administration to refrain from issuing such an executive order. If the EO advances despite our deep concerns, we respectfully request a full exemption for community banks so that they can continue to serve well the small businesses, farmers, and families in their local communities.

Alternatively, at a minimum, we urge the Administration to incorporate the following exemptions, safe harbors, and clarifications:

- Provide a safe harbor from any adverse actions arising solely from a customer's failure to provide the information for community banks that have taken reasonable, good-faith steps to obtain required customer documentation.
- Exempt U.S.-born individuals who present reasonably reliable forms of identity, such as state-issued photo identification paired with a Social Security number or existing customer history with the community bank.
- Exempt existing customers and prohibit retroactive citizenship-verification requirements for accounts established prior to the effective date of the EO.
- Exempt certain customer populations, including elderly individuals, Amish and other plain-Anabaptist communities, members of federally recognized tribes, disaster-affected

individuals, and others for whom formal citizenship documentation may be unavailable or impracticable.

- Limit examiner discretion. Treasury should provide uniform interagency guidance, standardized documentation expectations, and examiner training before any requirements become effective.
- Confirm that banks are not expected to make legal determinations regarding citizenship or immigration status.

Furthermore, if the EO advances despite the strong concerns articulated above, we urge the Administration to apply the EO also to those entities that are seeking to become banks without being regulated like banks, such as crypto exchanges and stablecoin issuers. There is no reason why only banks should be required to collect citizenship data when there are many other entities that are enabling bank-like transactions. In fact, if the EO is not extended to these other entities like crypto exchanges and stablecoin issuers that are providing or seeking to provide bank-like services, then a loophole will be created where the demand for such services will simply flow out of the banking sector into the nonbanks that are not subject to the EO.

Community banks remain committed to supporting a safe and sound financial system and stand ready to work constructively with the Administration in ways that protect consumers, local economies, and the stability of the banking system.

Sincerely,

/s/

Rebeca Romero Rainey
President and CEO