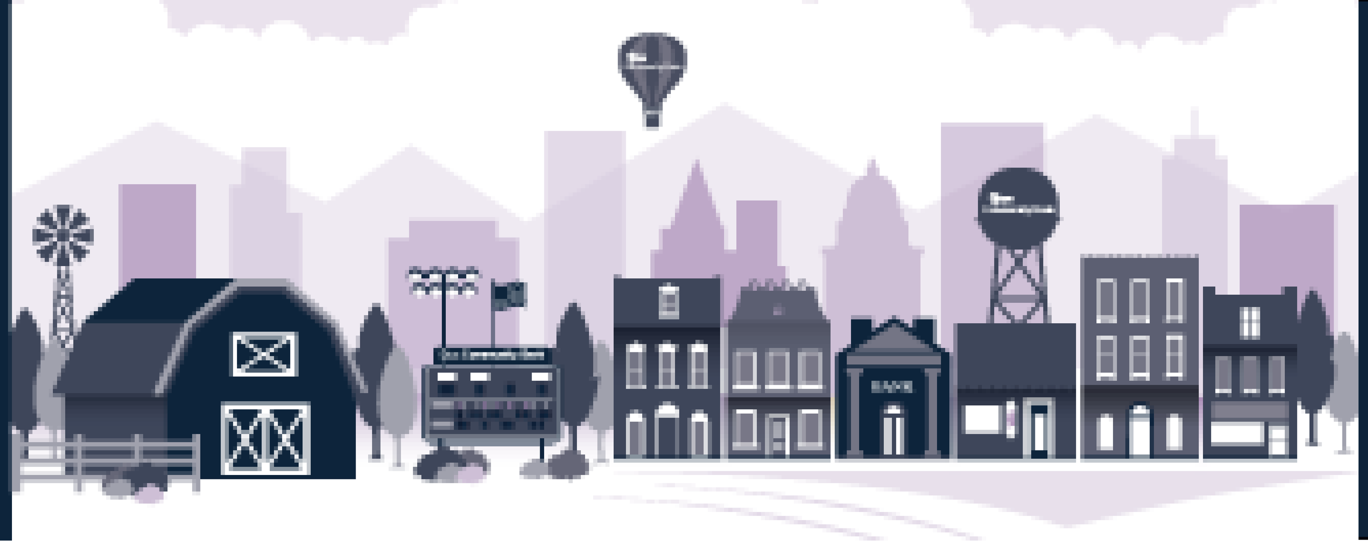
Community Banking Research Conference 2026

Where Research and Policy Meet



Rate Channeling Through Deposit Menus

Uniform anchors, local competition and menu rotation

Prithu Vatsa | University of Texas at El Paso

Banks decide where in the deposit menu to pay. Local markets decide which bankwide offer leads.

1 THE PRICING PROBLEM

Two facts must fit together

Banks often post the same contract rate across counties. Yet deposit-rate pass-through is weaker in concentrated local markets.

Weekly competitive-benchmarking data, 2015-2024

9.2M bank-county-weeks

2,177 banks

3,025 counties

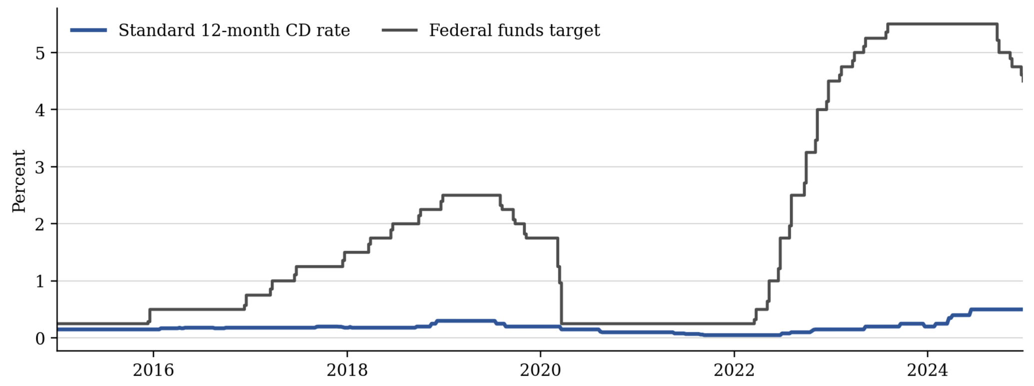
A bank allocates policy adjustment across coexisting schedules

Posted-rate response to a 100-bp policy increase

Standard no-action	8-16 bp
Promoted CD	31-32 bp
New-money CD	35 bp

2024 promoted/new-money CD premium: 224-278 bp

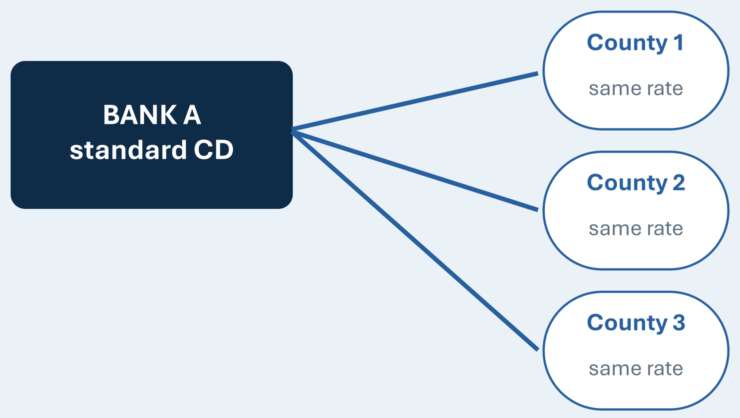
The no-action anchor remains sluggish



Standard schedule: 8-16 bp per 100-bp policy increase

2 THE BANK SETS A NETWORK MENU

One contract price, carried across counties



The same contract's beta changes little with local HHI.

Exact price uniformity across observed counties

Standard CD	94.0%
Best CD	93.6%
New money	89.4%
Relationship	90.9%
Promoted	91.7%

Median eligible-network coverage when a selective offer operates: 100%

Availability is also mostly network-wide

During tightening, high-balance relationship CDs and new-money MMAs are modestly less available in higher-HHI counties.

Contract differentiation and geographic uniformity are simultaneous features of bank pricing.

3 LOCAL MARKETS ASSEMBLE THE OUTSIDE OPTION

Where the concentration gradient resides

≈ 0 focal bank's same-contract response

-6.30 bp highest same-product rate from another local bank

Per 100-bp policy increase and one-SD higher total HHI

What explains the 6.30-bp frontier gradient?

4.34 bp comparable-bank count	1.96 bp identity / offers / rank

Supplier count explains 69%; the remaining component is economically and statistically significant.

A useful distinction

More suppliers weakly raise the level of the maximum. Frontier pass-through has no mechanical sign: it depends on which bank-wide path leads.

Weekly leadership turnover realizes the gradient

Share of total absolute week-to-week movement when another continuing bank becomes highest

46% lower HHI

20% higher HHI

Concentrated markets offer fewer chances for a faster-paying bank to reach the top.

HHI summarizes installed deposits; the posted outside option also depends on supplier count, bank identity, active schedules and price rank.

4 ACTIVATION CHANGES SUPPLY — THEN FUNDING

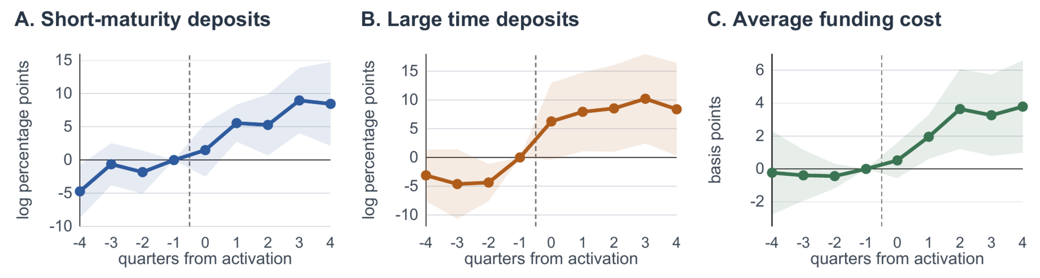
A new promotion can move the local rate frontier

+29-39 bp rise from the prior local maximum

52-56% county share in which the promotion becomes highest, for the average activation

A higher-paying schedule enters without bank entry or a change in the standard anchor.

Funding outcomes after first sustained CD acquisition activation



Matched bank-level event study; quantity paths are supportive and funding cost is the strongest endpoint.

One and two quarters after activation

Short-maturity time deposits: +5.57 / +5.29 log points
Large time deposits: +7.92 / +8.51 log points
Average funding cost: +1.95 / +3.64 bp

Monetary transmission through retail deposits is jointly produced inside banks and across local markets.

Main exhibits: Figures 1–3; Tables 2–9 | Drechsler–Savov–Schnabl (2017); Begenau–Stafford (2025); Granja–Paixão (2026)