

**Minutes of the regular meeting of the
Community Depository Institutions Advisory Council**
11:00 a.m. – 2:30 p.m., Wednesday, March 5, 2014
Federal Reserve Bank of New York
33 Liberty St., New York, NY

Present:

Robert G. Allen, President and CEO, Teachers Federal Credit Union
John R. Buran, President and CEO, Flushing Bank and Flushing Financial
Michael J. Castellana, President and CEO, SEFCU
Lisa Cathie, President and CEO, Ulster Savings Bank
Martin A. Dietrich, President and CEO, NBT Bank, N.A. and NBT Bancorp, Inc
Saleem Iqbal, President and CEO, Habib American Bank
Katherine J. Liseno, President and Chief Executive Officer, Metuchen Savings Bank
Mary D. Madden, President and CEO, Hudson Valley Federal Credit Union
Thomas J. Shara, President and CEO, Lakeland Bank and Lakeland Bancorp, Inc.
John F. Trentacosta, President and CEO, Newtown Savings Bank

Federal Reserve Bank of New York staff:

Deborah Arndell	Jamie McAndrews
Thomas Baxter	James Orr
James Bergin	Richard Peach
Richard Charlton	Rae Rosen
William Dudley	Wilma Sabado
Betty Griffith	Charles Sanders
Jack Gutt	Roseann Stichnoth
Kevin Krueger	Luis Uranga
Mariette Levine	Jan Voigts

Ms. Stichnoth called the meeting to order at approximately 11:00 a.m. Before moving on to presentations, Ms. Liseno, a new member, was introduced to the group.

1. Presentations to Council Members

Mr. Peach and Mr. Orr discussed recent national and regional economic trends.

Mr. Sanders gave a presentation on the Consumer Financial Protection Bureau's Ability-to-Repay and Qualified Mortgage Standards Rule.

Ms. Griffith offered an overview of the Federal Reserve's Guidance on Managing and Outsourcing Risk.

2. Discussion

After a brief recess, Mr. Dudley joined the group for the discussion. Members were asked to comment on current banking conditions, overall economic conditions, payment systems, banking examination practices, and current and future regulatory matters.

Overall, institutions reported a strong end to 2013, but mortgage originations are significantly lower in 2014, impacting earnings. Members attributed some of the slack in demand for mortgage and small business loans to severe winter weather. On both the commercial real estate and construction lending side, members generally reported improvements. Many members reported that the mortgage refinance business had shrunk to very low levels. On the deposit side, members noted that margins continue to be compressed.

Turning to economic conditions, members reported that conditions have improved but growth remains sluggish. Members noted continuing concerns over skill and experience mismatches in existing employment pools and available positions in rural areas. While some members noted reductions in foreclosure backlogs, others expressed concerns over the long process and costs of foreclosures.

On the payments side, members noted the popularity of mobile payments, continuing cybersecurity issues, and costs associated with implementation of the EMV (Europay, Mastercard and Visa) standard.

In the discussion of examination practices, members noted that examination teams have increased in size, and the length and frequency of exams have generally increased as well.

The group's discussion of regulatory matters touched upon the Ability-to-Repay and Qualified Mortgage Rule as well as the Federal Reserve's Guidance on Managing and Outsourcing Risk, among other topics. Members also noted the need to continue to review branch real estate and technology needs to meet demand, while also increasing volume and efficiency to maintain profitability.

The meeting adjourned at approximately 2:15 p.m.