

**Minutes of the regular meeting of the  
COMMUNITY DEPOSITORY INSTITUTIONS ADVISORY COUNCIL**

10:00 a.m. – 2:30 p.m., Friday, October 2, 2015

Federal Reserve Bank of New York

33 Liberty St., New York, NY

**Present:**

Robert G. Allen, President and CEO, Teachers Federal Credit Union

Martin K. Birmingham, President and CEO, Five Star Bank and Financial Institutions Inc.

John R. Buran, President and CEO, Flushing Bank and Flushing Financial

Michael J. Castellana, President and CEO, SEFCU

Martin A. Dietrich, President and CEO, NBT Bank NA and NBT Bancorp Inc.

José Rafael Fernández, President, CEO and Vice Chairman, Oriental Bank and OFG Bancorp

Saleem Iqbal, President and CEO, HAB Bank

Mary D. Madden, President and CEO, Hudson Valley Federal Credit Union

Thomas J. Shara, President and CEO, Lakeland Bank & Lakeland Bancorp., Inc.

Federal Reserve Bank of New York attendees:

Tom Baxter

Christopher Calabia

Richard Charlton

Tony Davis

William Dudley

Jacqueline Fenton

Jamie McAndrews

James Orr

Richard Peach

Joelle Scally

William Schaefer

Roseann Stichnoth

Michael Strine

Luis Uranga

Dona Wong

---

The meeting was called to order at approximately 11:00 a.m.

**1. Presentations to Council Members**

Mr. Peach and Mr. Orr discussed the national and regional economic outlook.

Ms. Wong gave a presentation on data visualization.

**2. Luncheon Discussion**

After a brief recess, Mr. Dudley joined the group for the luncheon 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 that the economy is strong with some banking risks from strong competition, and the re-appearance of some aggressive underwriting practices. Qualified Mortgage (QM) regulations are creating challenges for both banks and potential borrowers.

Finding workers with specialized skills remains a challenge for the banks.

Members reported slow improvement in small business lending, with strong competition from larger firms. Small businesses have been able to purchase properties they previously rented due to the low interest rate environment. Members noted that commercial real estate loan demand is very strong, with some price appreciation in commercial real estate, but borrowers are equally demanding and chasing low rates. Members noted that residential real estate lending has stabilized and there is an uptick in the number of first-time home buyers as well as in prices. Auto lending is strong and has picked up even more in the past four to five months. Deposits remain steady.

Turning to general economic conditions, members reported that conditions are improving in Albany and Buffalo, while Binghamton remains stagnant. Some areas, however, such as Puerto Rico, continue to lag behind. The economy in Puerto Rico is not growing, there is no loan demand, and banks have been preparing for sovereign default risk and have reduced significantly their exposure to the government. Members noted in all industries, including banking, there is a struggle to find and retain talent. On the payments side, members noted that several firms have switched to card chip technology, but there are concerns about the new technology. Firms are also differing with each other on branch activity and strategy.

The group's discussion of regulatory and other matters focused on QM rules, which have been challenging for the mortgage business and have caused some banks to drop secondary market products altogether. Other regulatory matters that were discussed included the disruption caused by unregulated online lenders, the consolidation of smaller credit unions, and the costs versus the benefits of post-Dodd-Frank regulations.

Members also discussed the disruption in the market caused by Uber and other non-taxi limousine commission service providers; cyberthreats; and issues around banking marijuana-based businesses.

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