

Community Depository Institutions Advisory Council Meeting

**Federal Reserve Bank of New York
33 Liberty Street, New York, New York
October 14, 2016**

Agenda

11:00 am Presentations to the Council Members:

- National Economic Outlook (Richard Peach, Macroeconomic and Monetary Studies)
- Regional Economic Outlook (Jason Bram, Regional Analysis)

12:30 pm Discussion of questions posed by the Board of Governors over lunch

Community Depository Institutions Advisory Council
Discussion Questions
October 14, 2016 Meeting
Federal Reserve Bank of New York

1. **Current Banking Conditions:**

What is the Council's view of the current condition of, and the outlook for, loan markets and financial markets generally? Please describe any significant changes in the creditworthiness of applicants for loans, loan demand, and lending standards in general.

- a. **Small Business Lending:** Has credit availability for, and demand for credit from, small businesses changed significantly? Have lending standards for these borrowers changed?
- b. **Commercial Real Estate Lending:** Have there been any changes in the Council's view of challenges in the commercial real estate market since the beginning of the year? How are commercial real estate loans performing compared to your expectations?
- c. **Construction Lending:** What is the Council's view of the availability of credit for construction and development projects? Have Council members seen any changes in the demand for construction loans since the beginning of the year?
- d. **Home Mortgage Lending:** What changes have you seen in the mortgage market since the beginning of the year? Is a trend developing among community banks to increase, decrease, or cease home mortgage originations, and if so, what are the likely causes for and effects of this trend?
- e. **Consumer Lending:** What changes have you seen in consumer lending?
- f. **Agricultural Lending:** Have there been any changes in agricultural lending?
- g. **Deposits:** Have Council members seen any changes in local deposit markets?

2. **Economic Discussion:**
 - a. **Overall Economic Conditions:** How do Council members assess overall economic conditions in their regions?
 - b. **Particular Indicators:**
 - i. **Inflation:** Are the prices of products and services rising more or less quickly (or declining more) than in the recent past? Are the prices for the products and services you purchase rising more or less quickly?
 - ii. **Housing:** How have house prices changed in recent months? Have there been any changes in housing activity overall in your region?
 - iii. **Labor Markets:** How have the labor markets in which you operate changed in recent months? In particular, assess the degree of job loss (how much and in which industries). What changes to wages have Council members observed in the past year?
 - iv. **Consumer Confidence:** Is the Council seeing signs of improved consumer confidence? What is the outlook for consumer credit losses?
3. **Innovation and Community Banking:** What are the most important innovations currently affecting banking practices, business models, and lines of business for both community banks and their competitors outside the banking system, which are popularly known as “fintechs”? What challenges for compliance with safety and soundness, anti- money-laundering, or consumer protection regulations are presented when community banks adopt innovations or partner with fintechs? What are the barriers, such as costs or regulatory concerns, for community banks seeking to meet the needs of their customers through innovations or fintech partnerships?
4. **Examination Practices:** Have Council members experienced problems with recent examinations? In particular, have examination practices constrained access to credit by creditworthy borrowers? What steps can be taken to address the Council’s concerns?
5. **Regulatory Matters and the Future of Banking:** How are recent changes in the regulatory landscape affecting community depository institutions’ ability to continue to provide services to their customers? What has been the effect on the industry generally?
6. **Additional Matters:** Have any other matters affecting community depository institutions emerged that Council members want to present at this time?



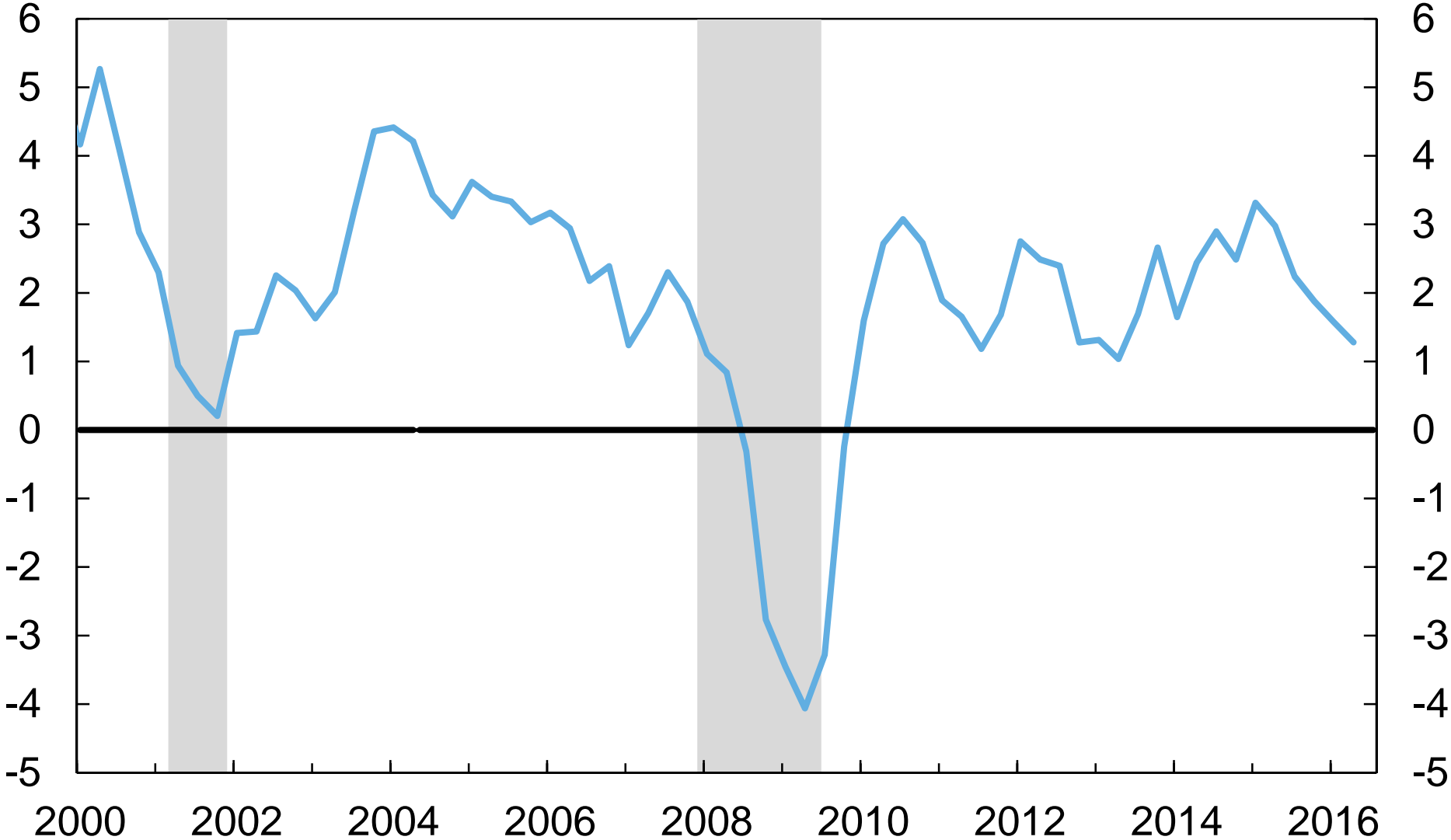
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US Macro Overview
October 14, 2016

Growth of Real GDP

Four Quarter Percent Change

Four Quarter Percent Change



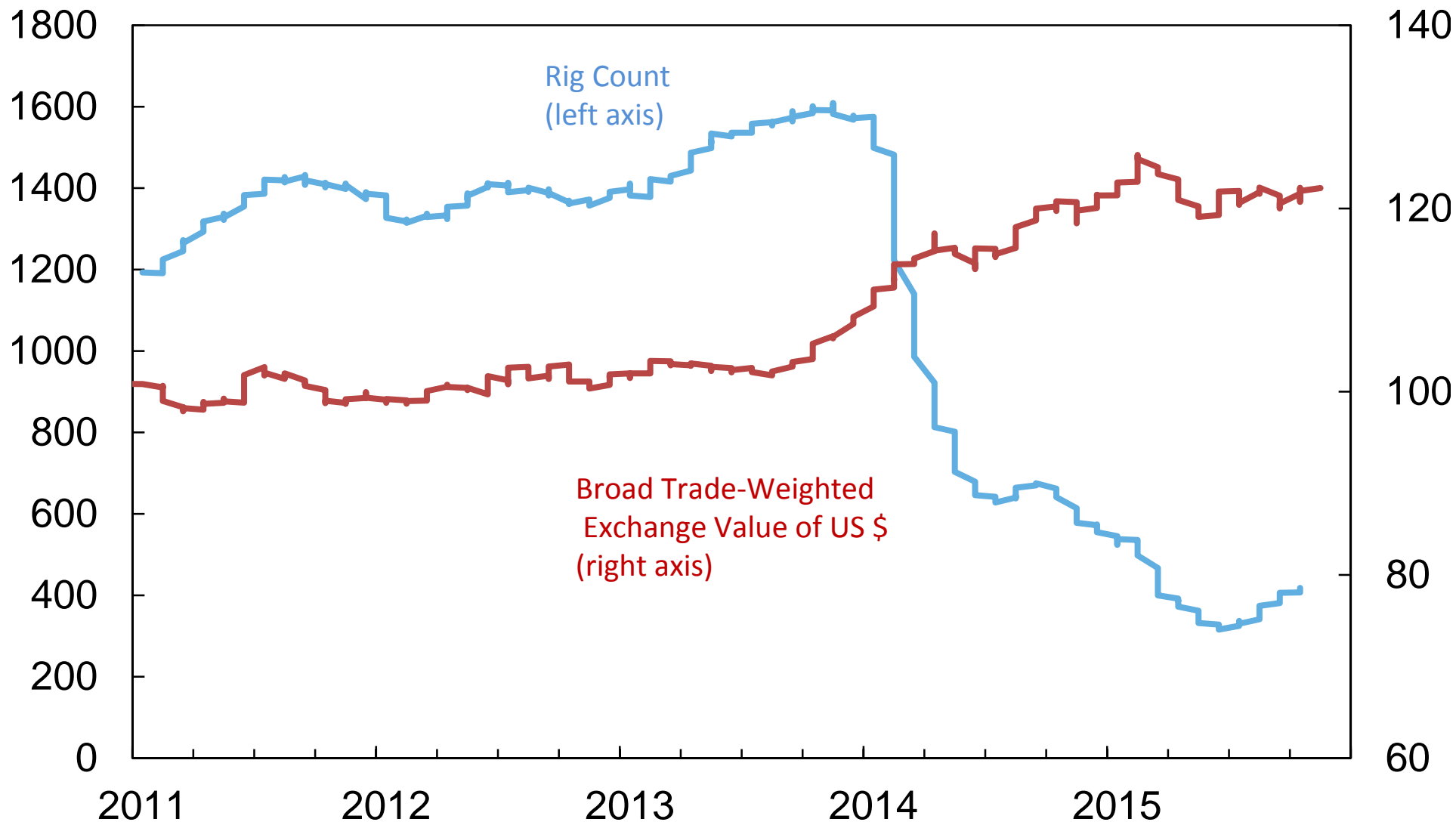
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

Nominal Trade-Weighted Value of US\$ and Rig Count

Active Oil Rigs

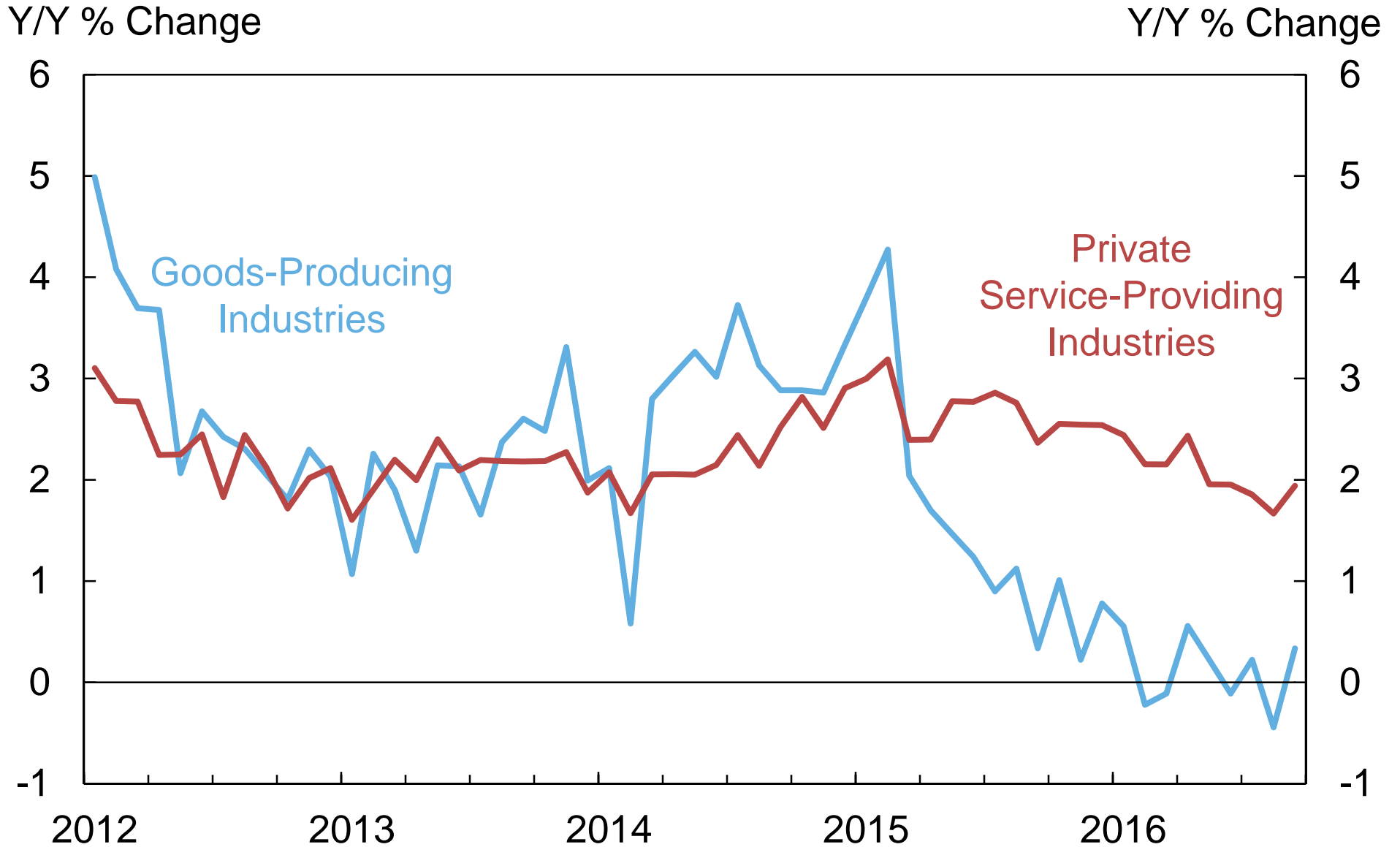
Index



Source: Federal Reserve Board and Baker Hughes

Note: Shading shows NBER recessions.

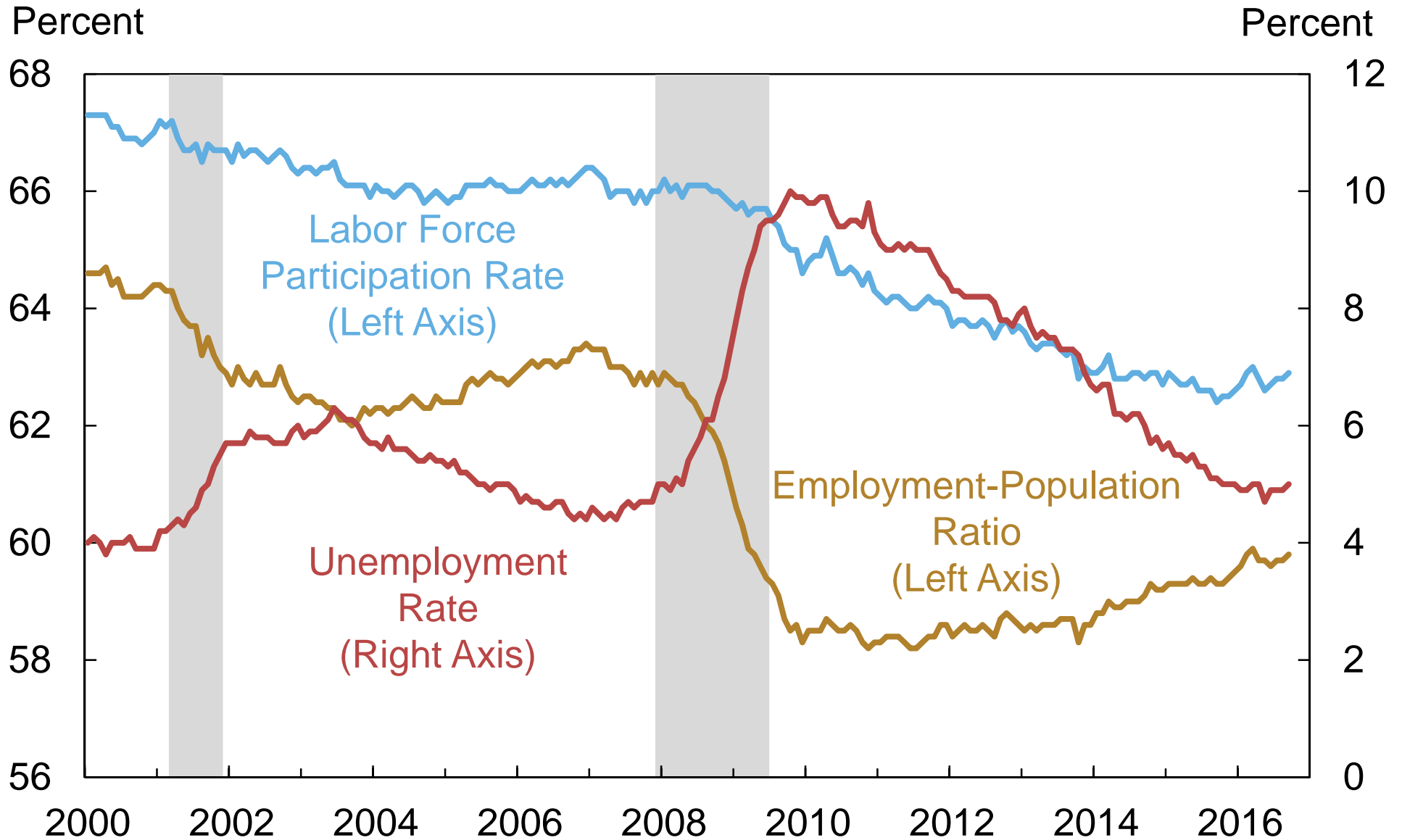
Aggregate Weekly Hours Worked



Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

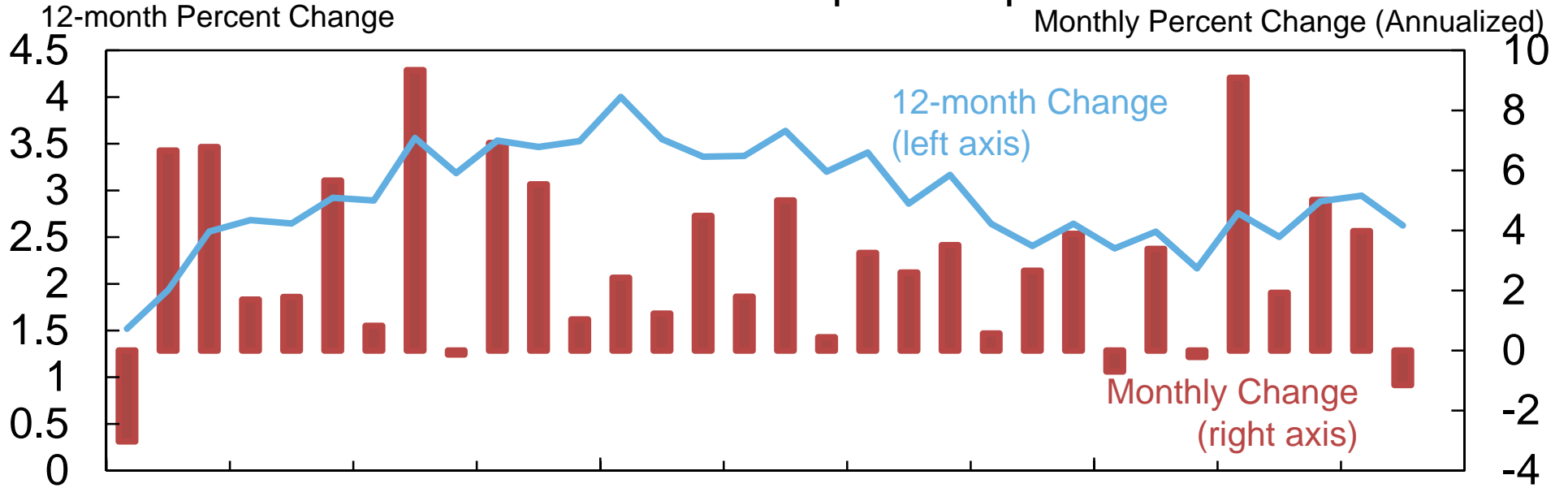
Labor Market Indicators



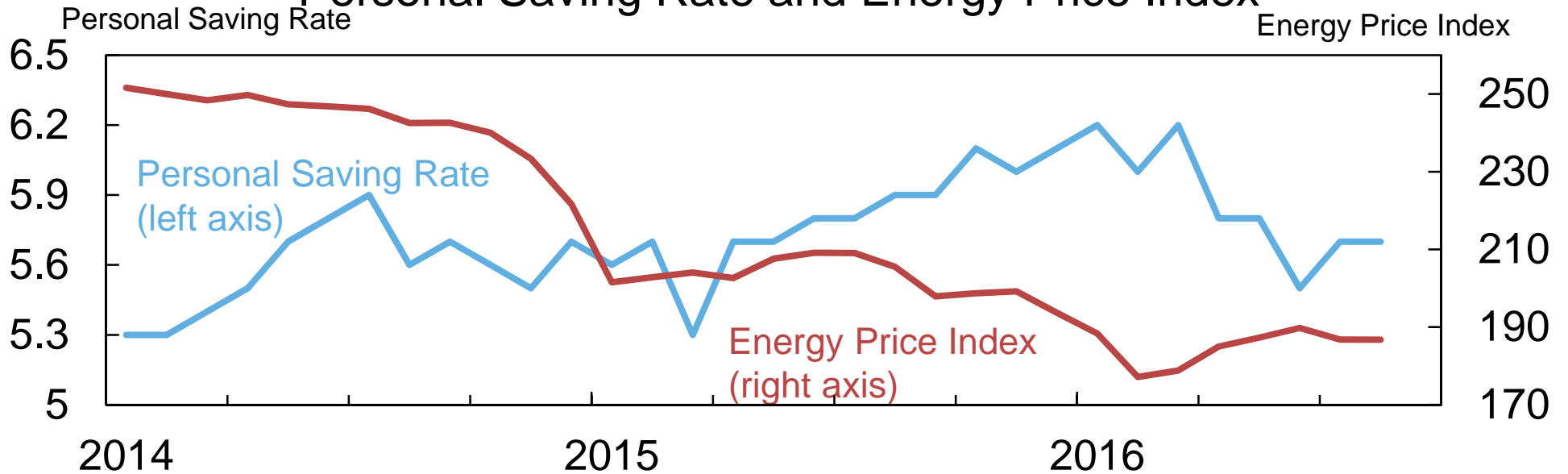
Source: Bureau of Labor Statistics,
via Haver Analytics

Note: Shading shows NBER recessions.

Real Personal Consumption Expenditures



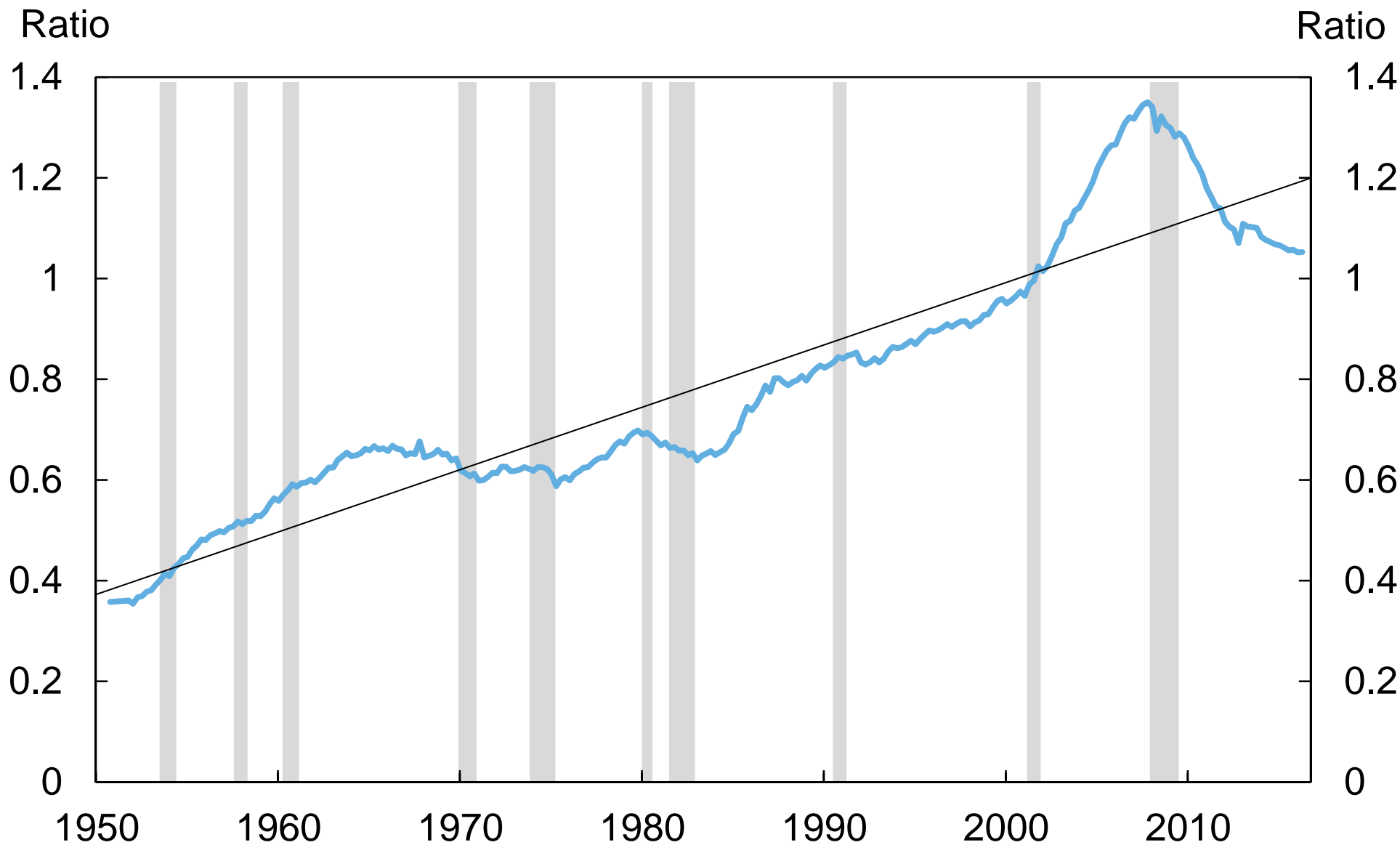
Personal Saving Rate and Energy Price Index



Sources: Bureau of Economic Analysis and Bureau of Labor Statistics via Haver Analytics

Note: Shading shows NBER recessions.

Household Liabilities/Disposable Personal Income



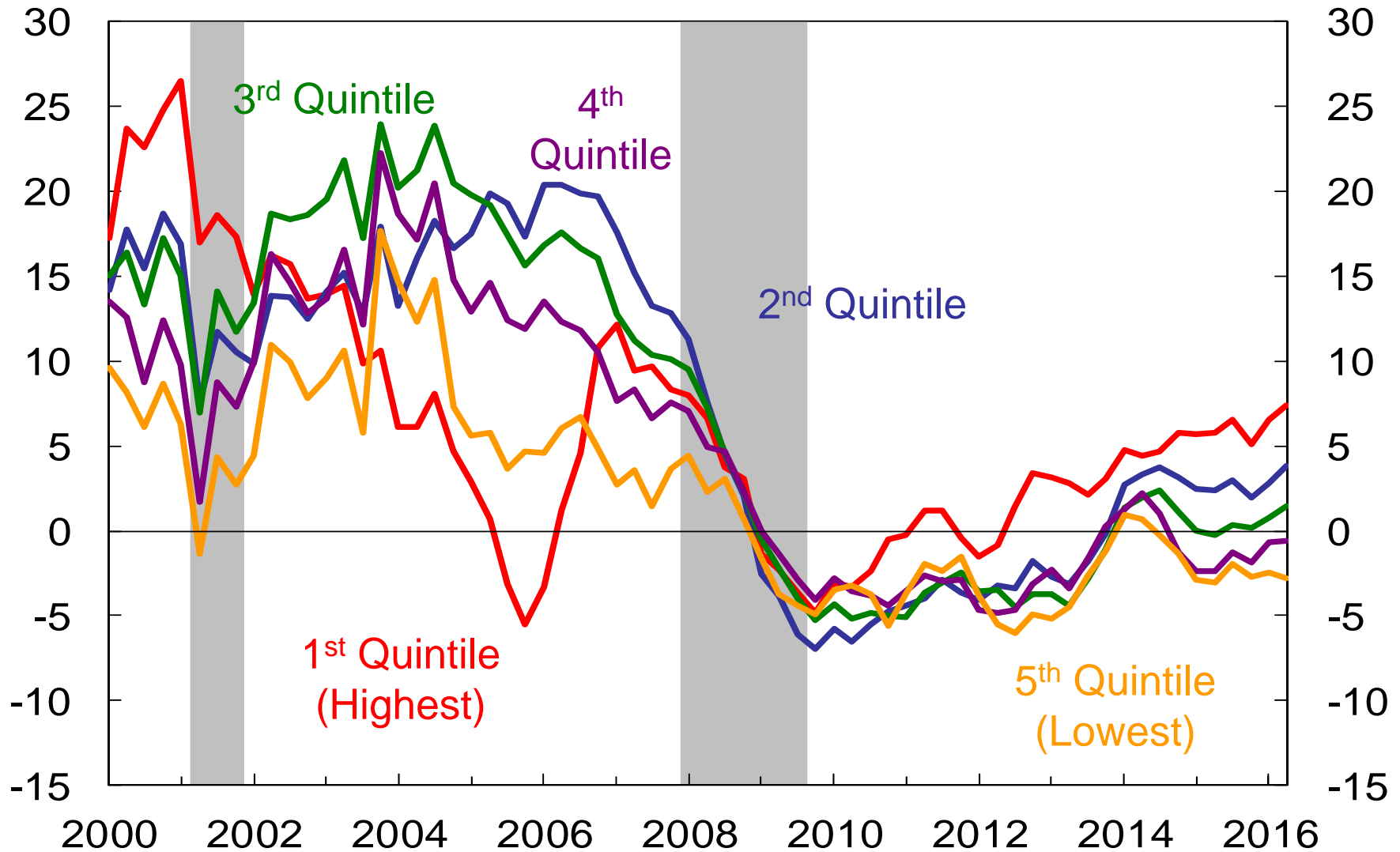
Source: Federal Reserve Board

Note: Shading shows NBER recessions.

Consumer Debt by Credit Score

% Change – Year to Year

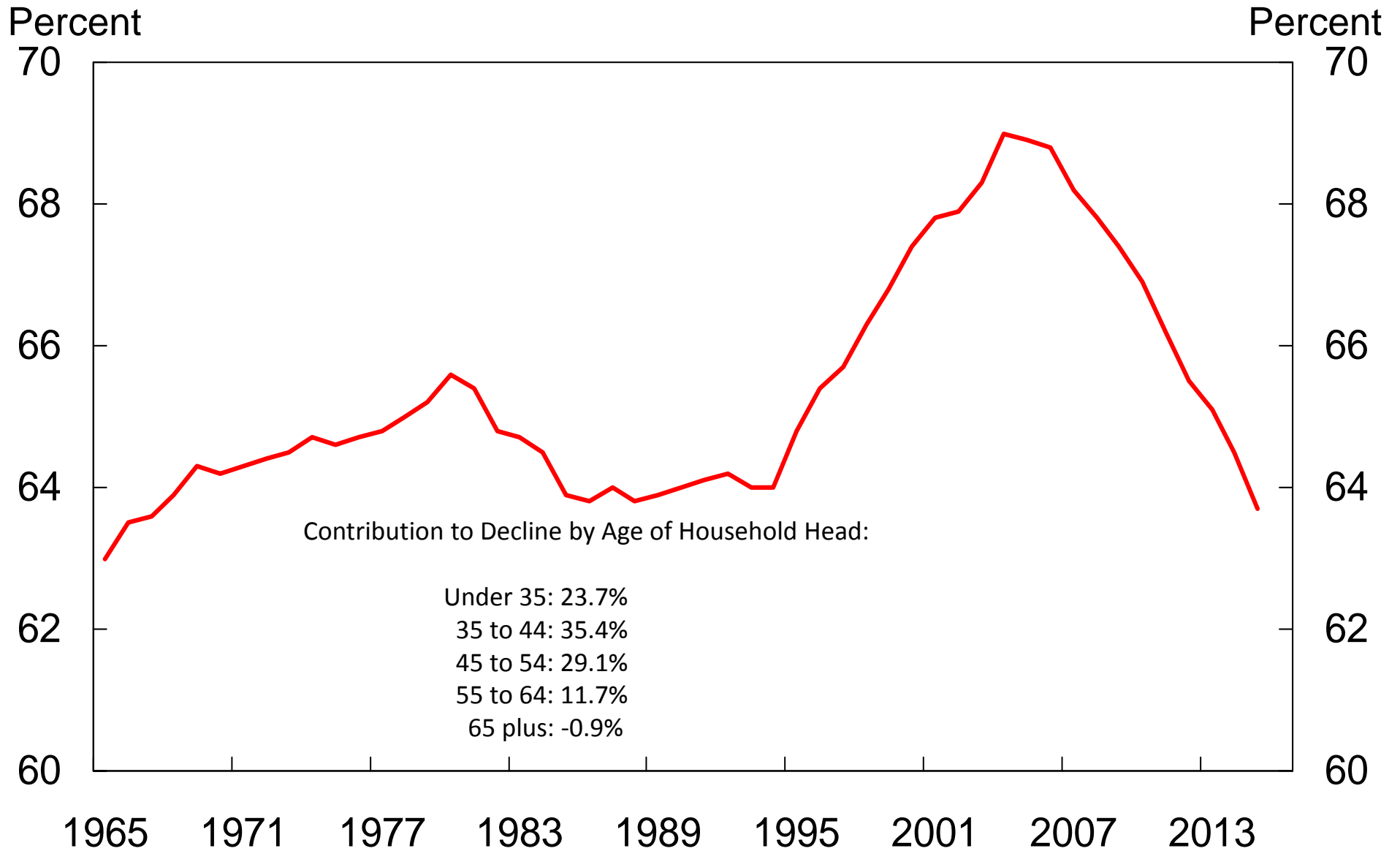
% Change – Year to Year



Source: FRBNY Consumer Credit Panel

Note: Includes Student Loans

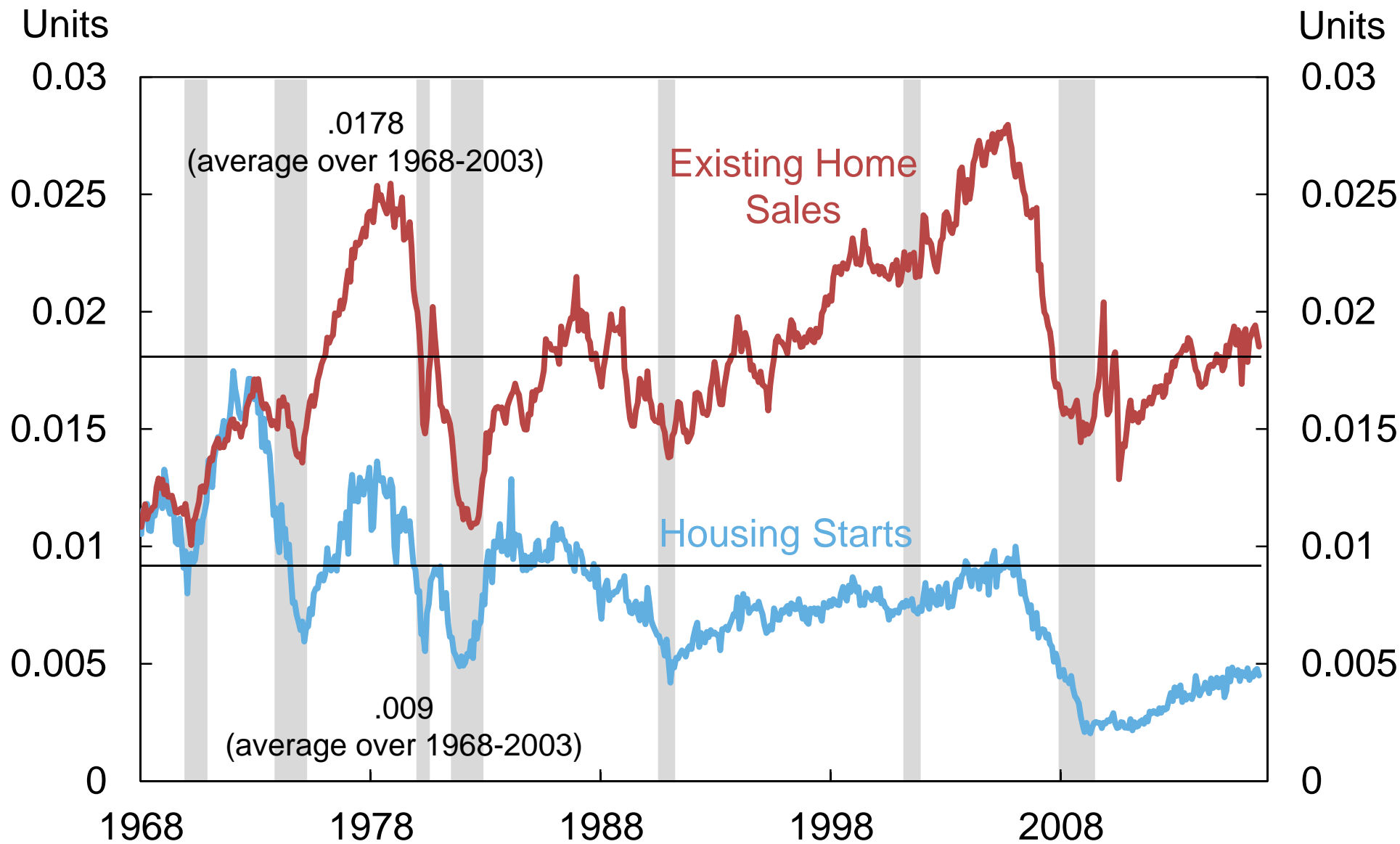
Aggregate Homeownership Rate*



*Owner-occupied housing units divided by total occupied housing units.

Source: Census Bureau

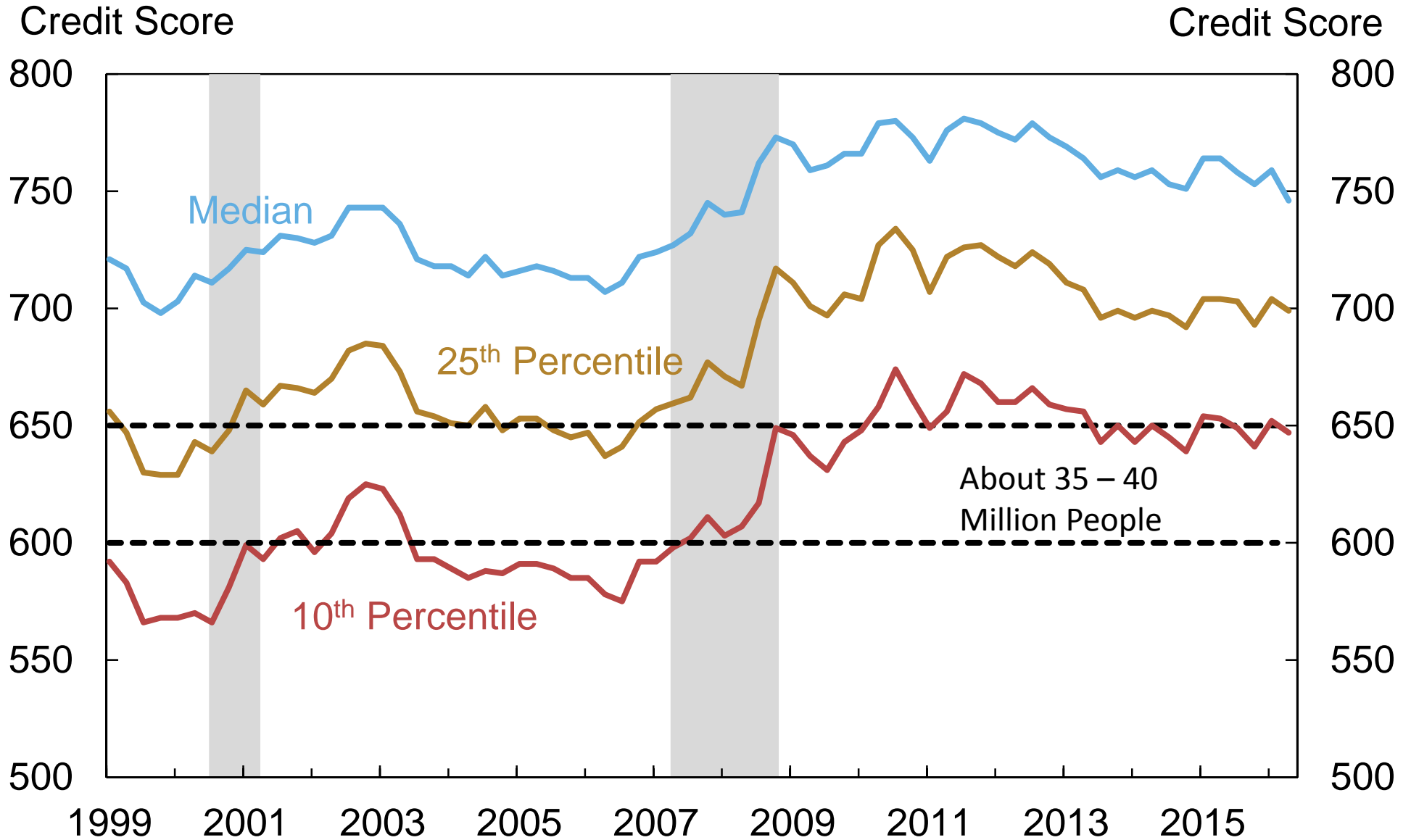
Housing Starts and Existing Homes Sales Per Capita



Source: BLS, Census Bureau, NAR

Note: Shading shows NBER recessions.

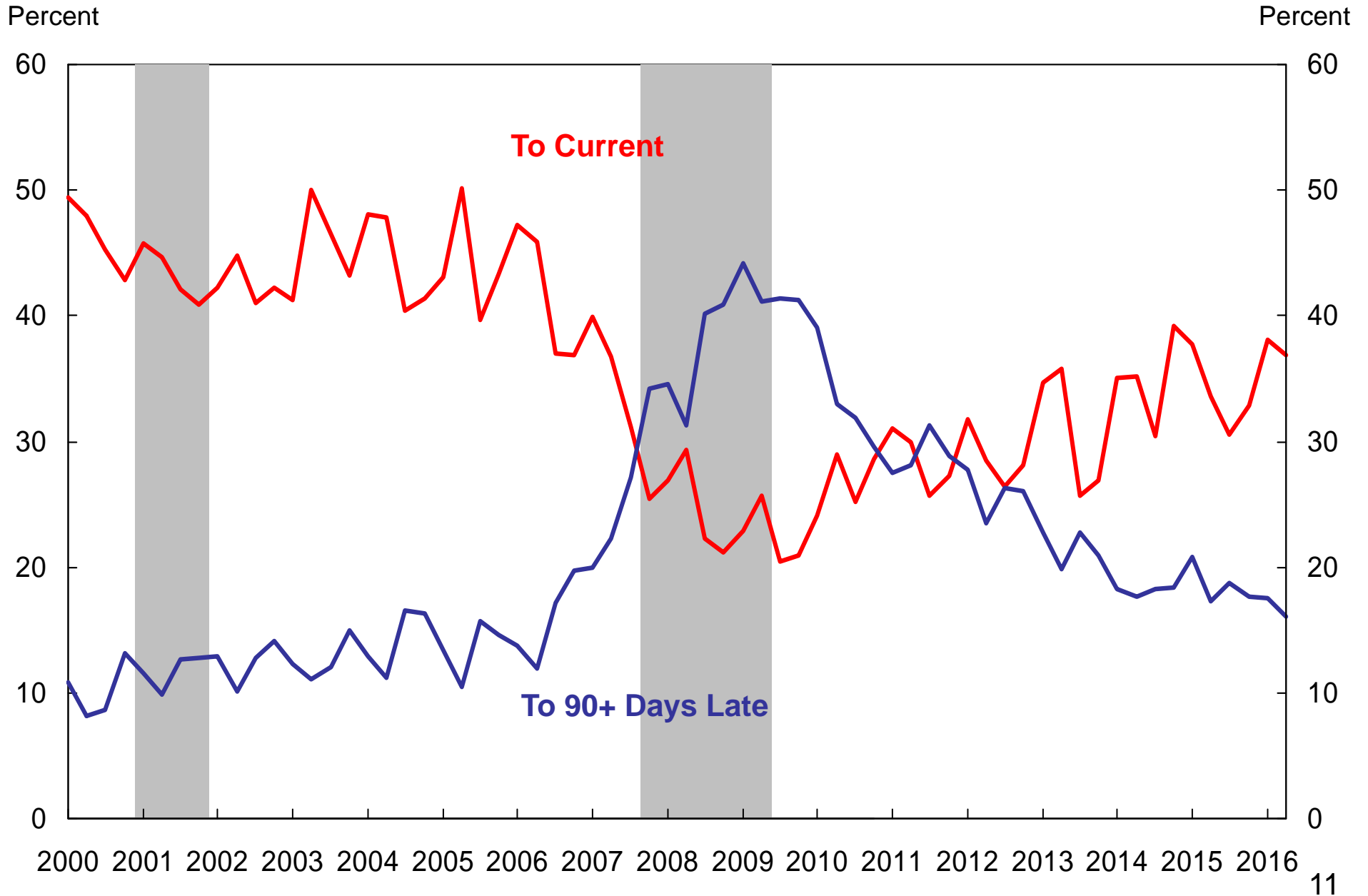
Credit Score at Mortgage Origination: All First Mortgages



Source: FRBNY / Consumer Credit Panel

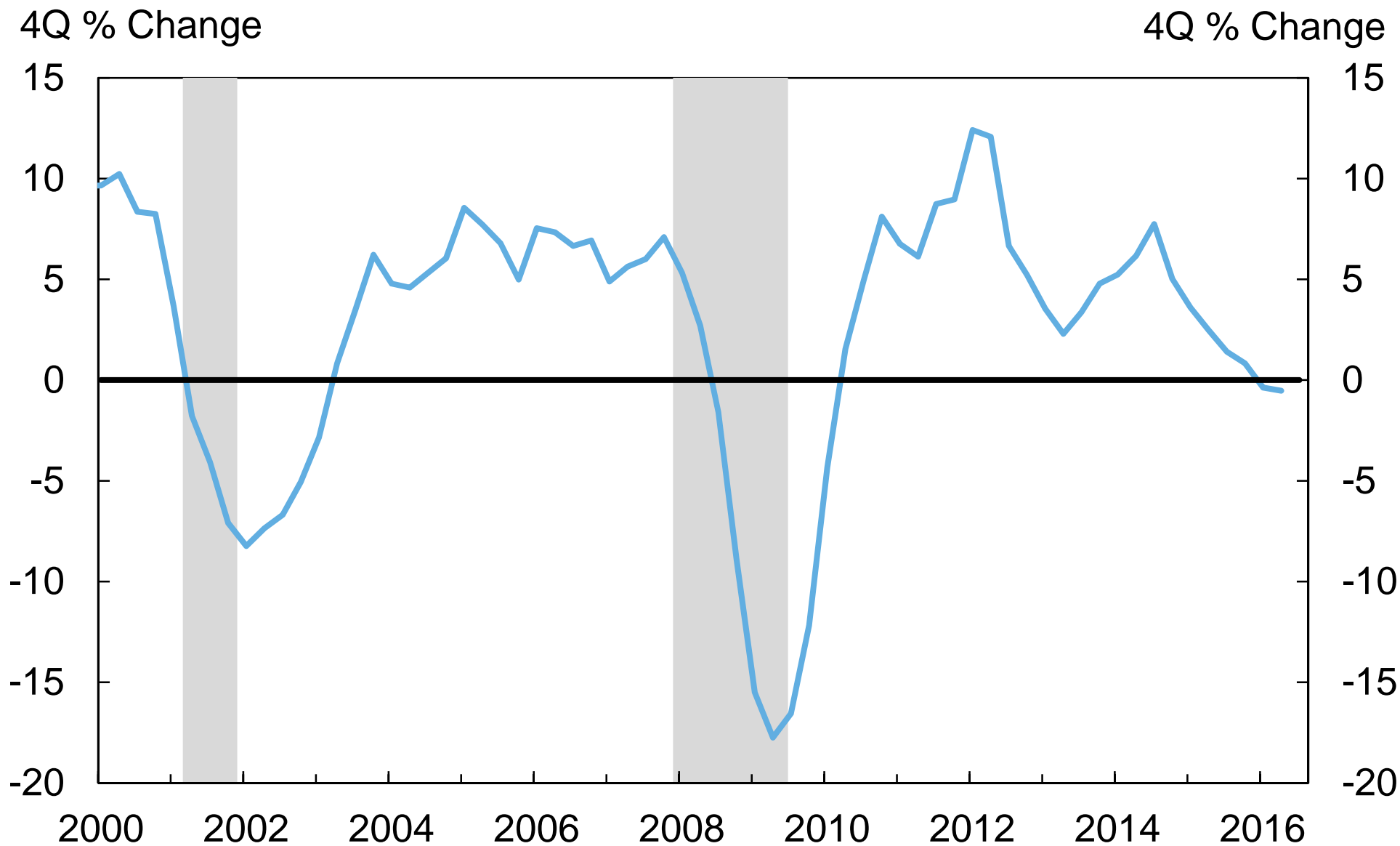
Note: Shading shows NBER recessions.

Transition of Mortgage Accounts from 30-60 Days Late



Source: FRBNY Consumer Credit Panel

Real Business Fixed Investment



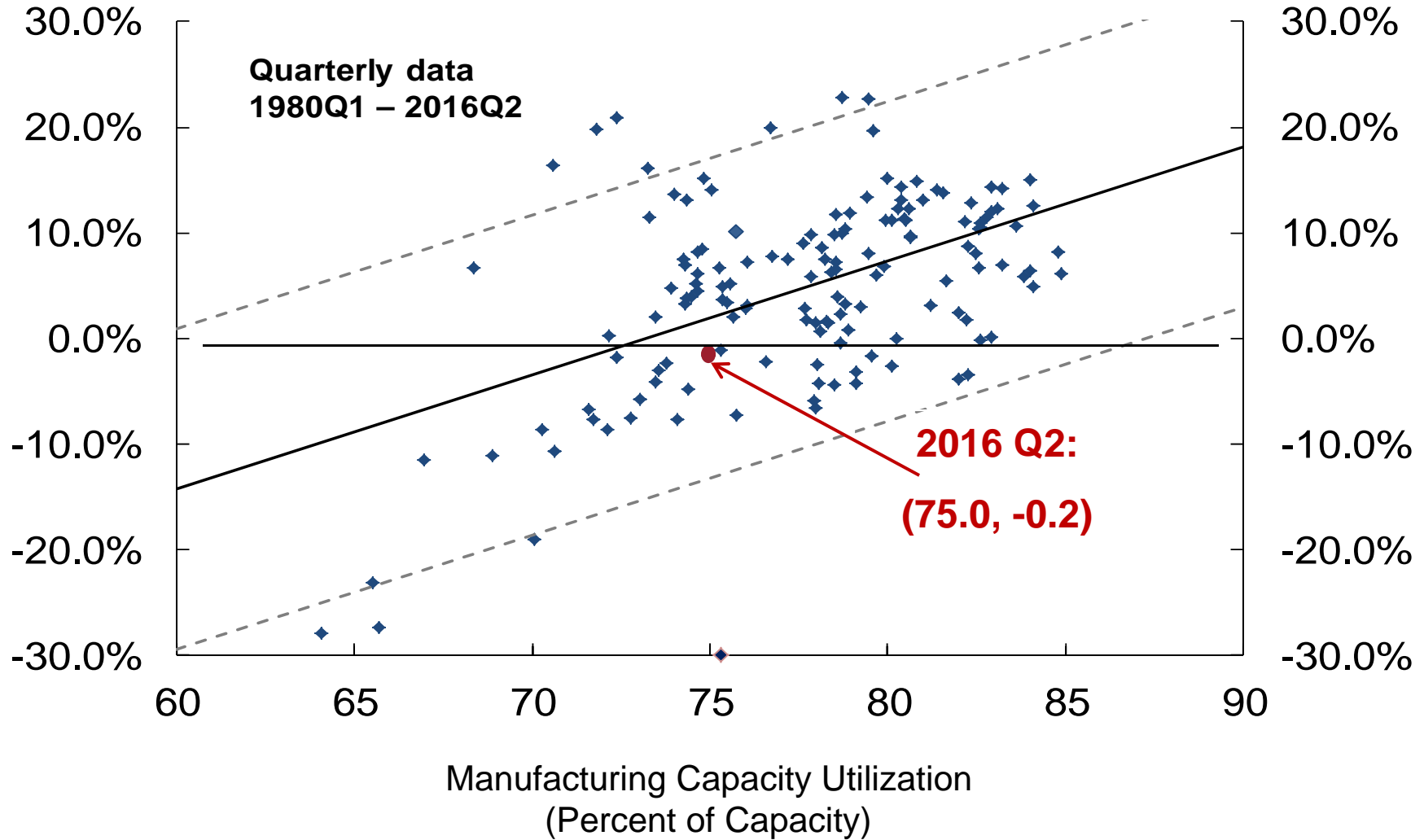
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

Equipment Investment Spending and Capacity Utilization

Real Business Investment in New Equipment
(% Change – Year to Year)

Real Business Investment in New Equipment
(% Change – Year to Year)

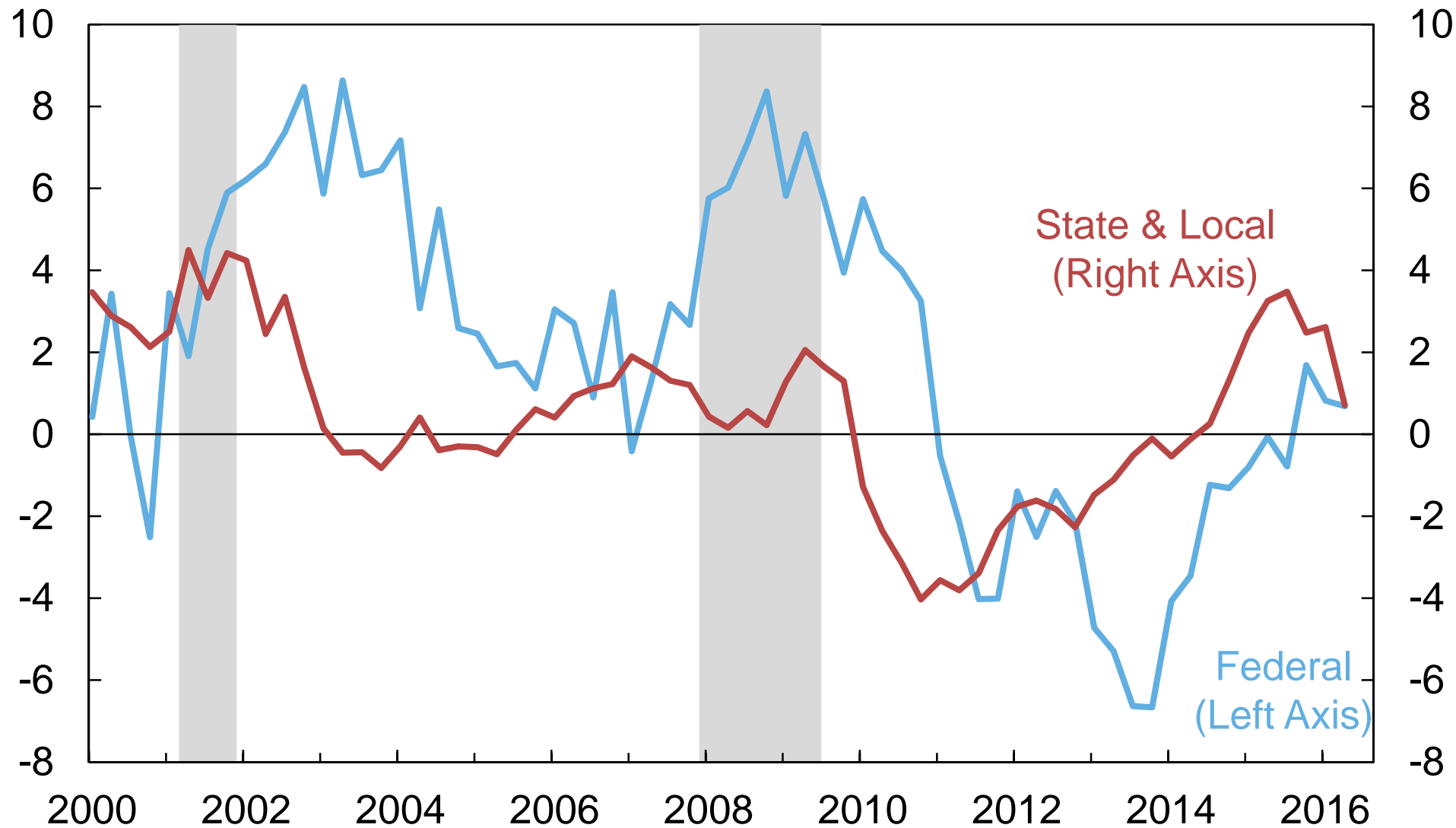


Source: Federal Reserve Board, Bureau of Economic Analysis

Real Government Consumption and Gross Investment

4 Quarter % Change

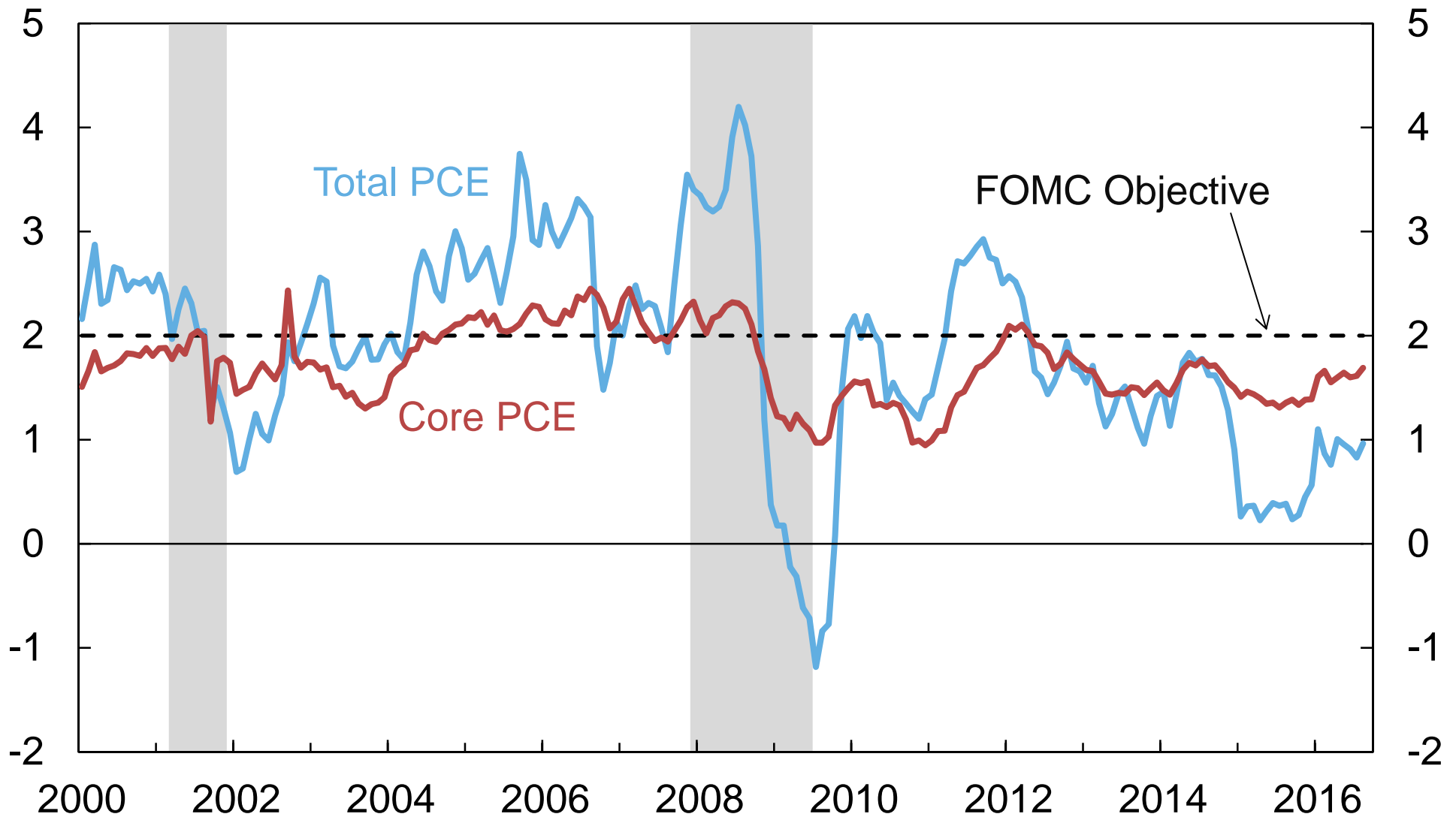
4 Quarter % Change



PCE Deflator

12 Month % Change

12 Month % Change



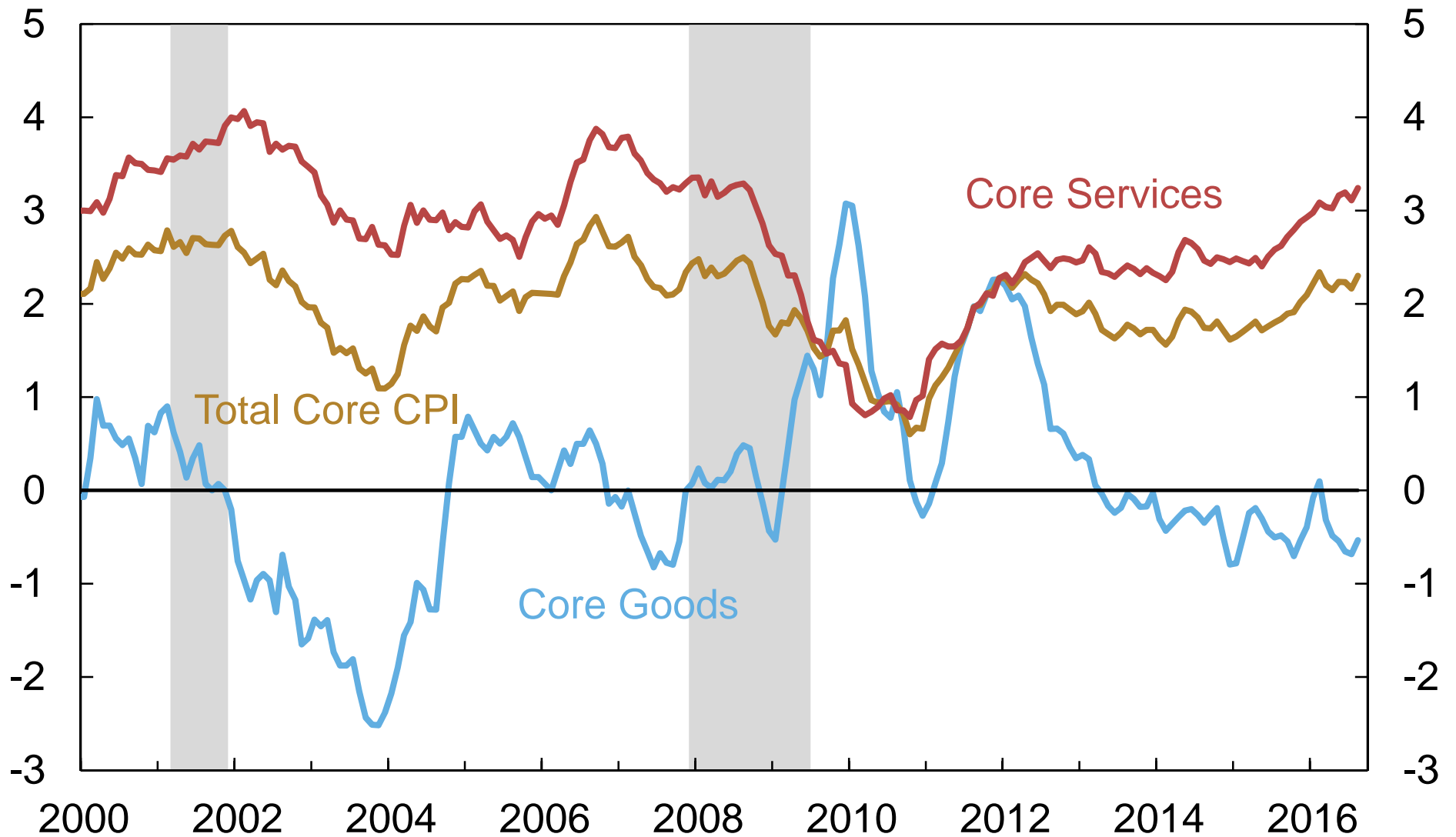
Source: Bureau of Economic Analysis, via Haver Analytics

Note: Shading shows NBER recessions.

CPI Inflation: Core Goods and Core Services

12 Month % Change

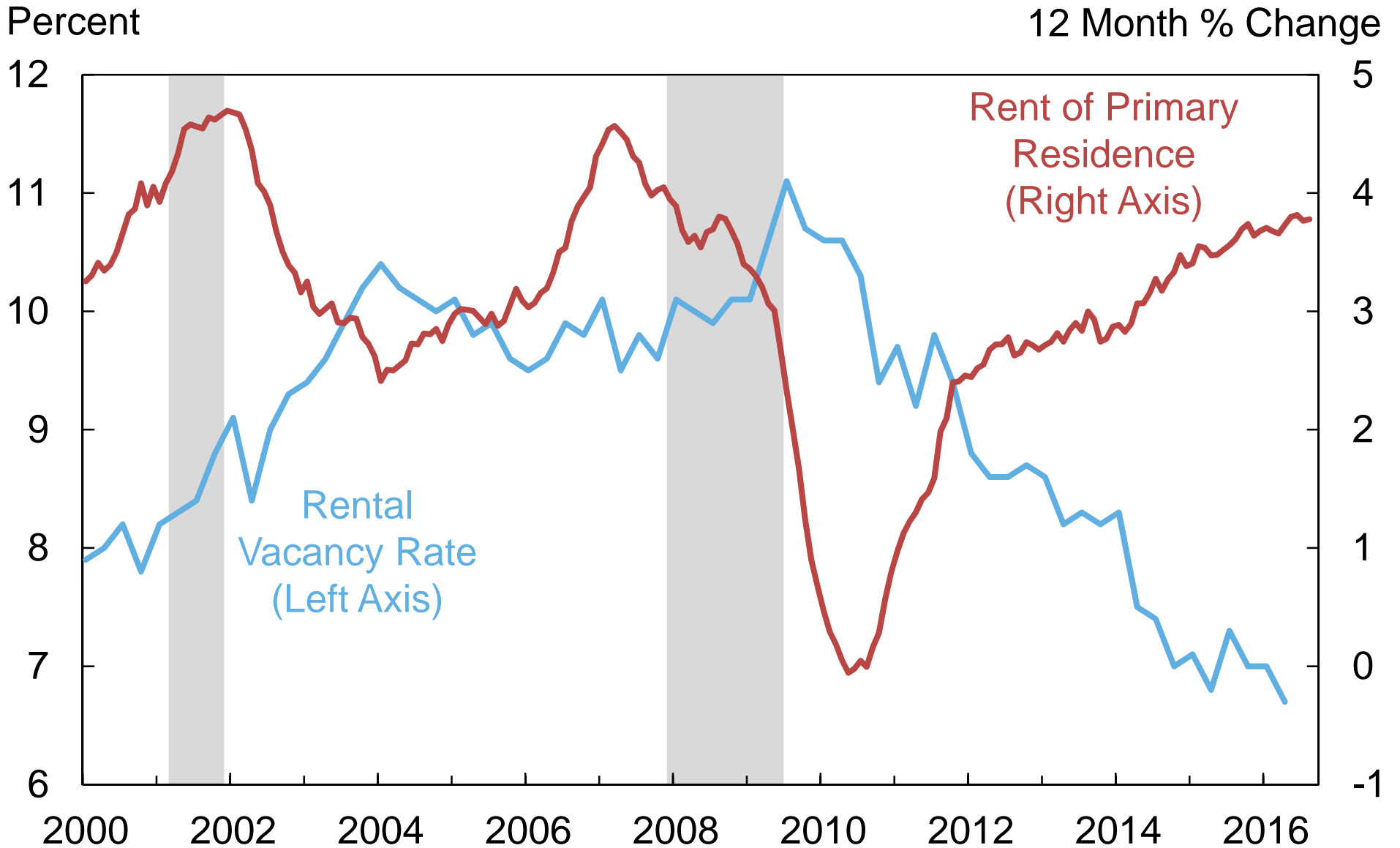
12 Month % Change



Source: Bureau of Labor Statistics

Note: Shading shows NBER recessions.

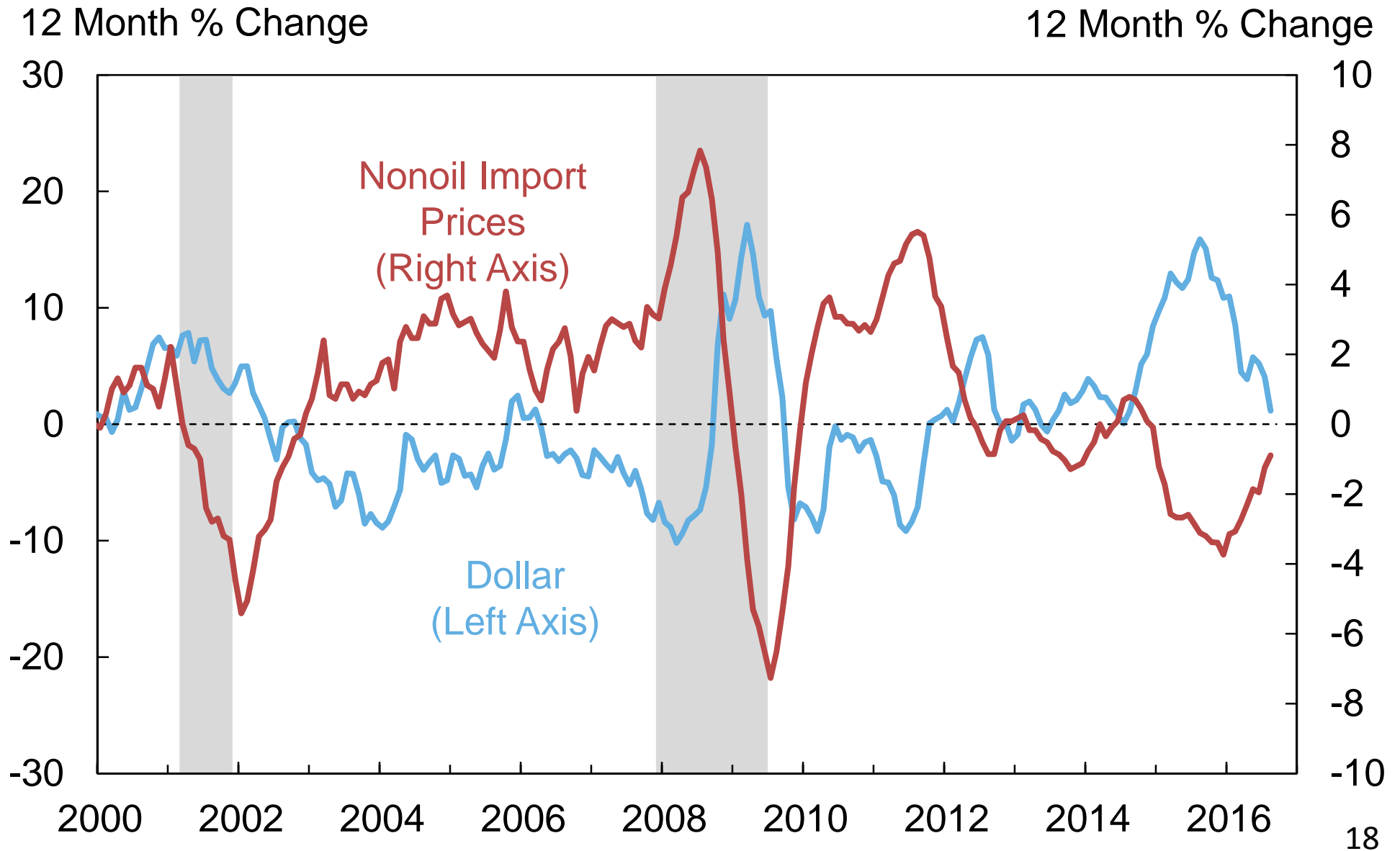
Rental Vacancy Rate and Rent of Primary Residence



Source: Census Bureau, BLS

Note: Shading shows NBER recessions.

Dollar Exchange Rate and Nonoil Import Prices



Source: Federal Reserve Board, Bureau of Labor Statistics via Haver Analytics

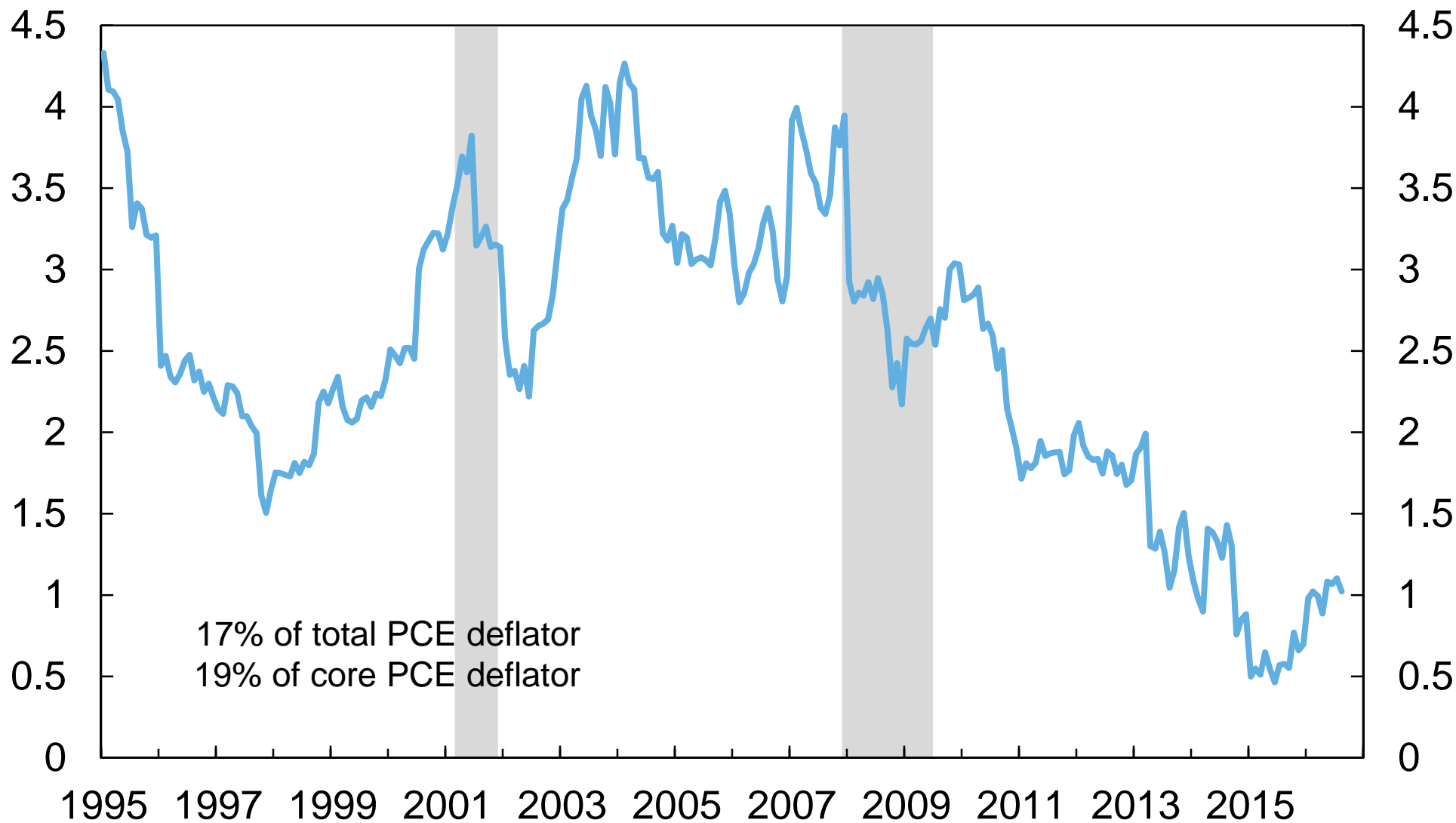
Note: Shading shows NBER recession and dollar is Board's trade-weighted measure.

Reference Charts

Personal Consumption Expenditures: Health Care Price Index

12 Month % Change

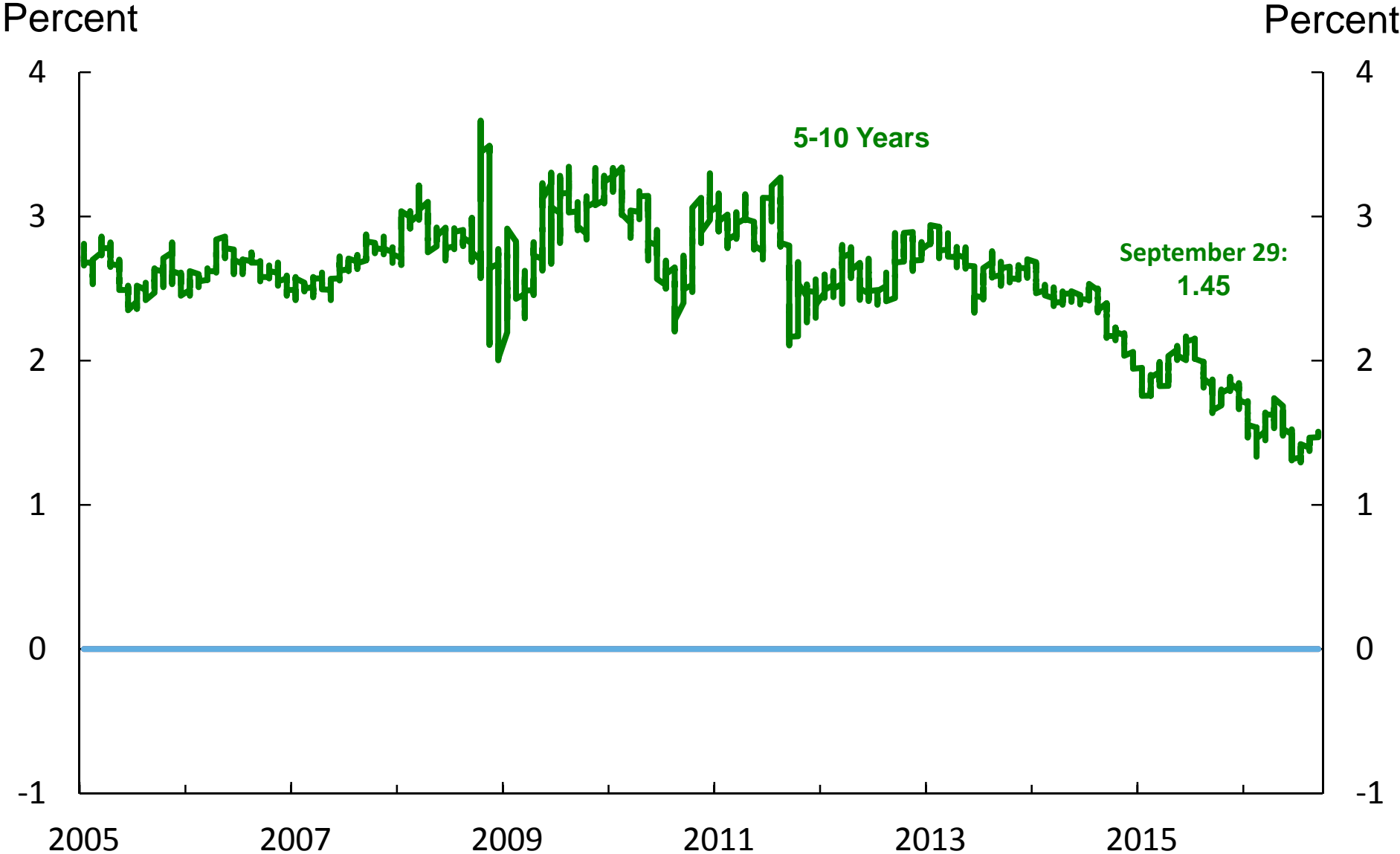
12 Month % Change



Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

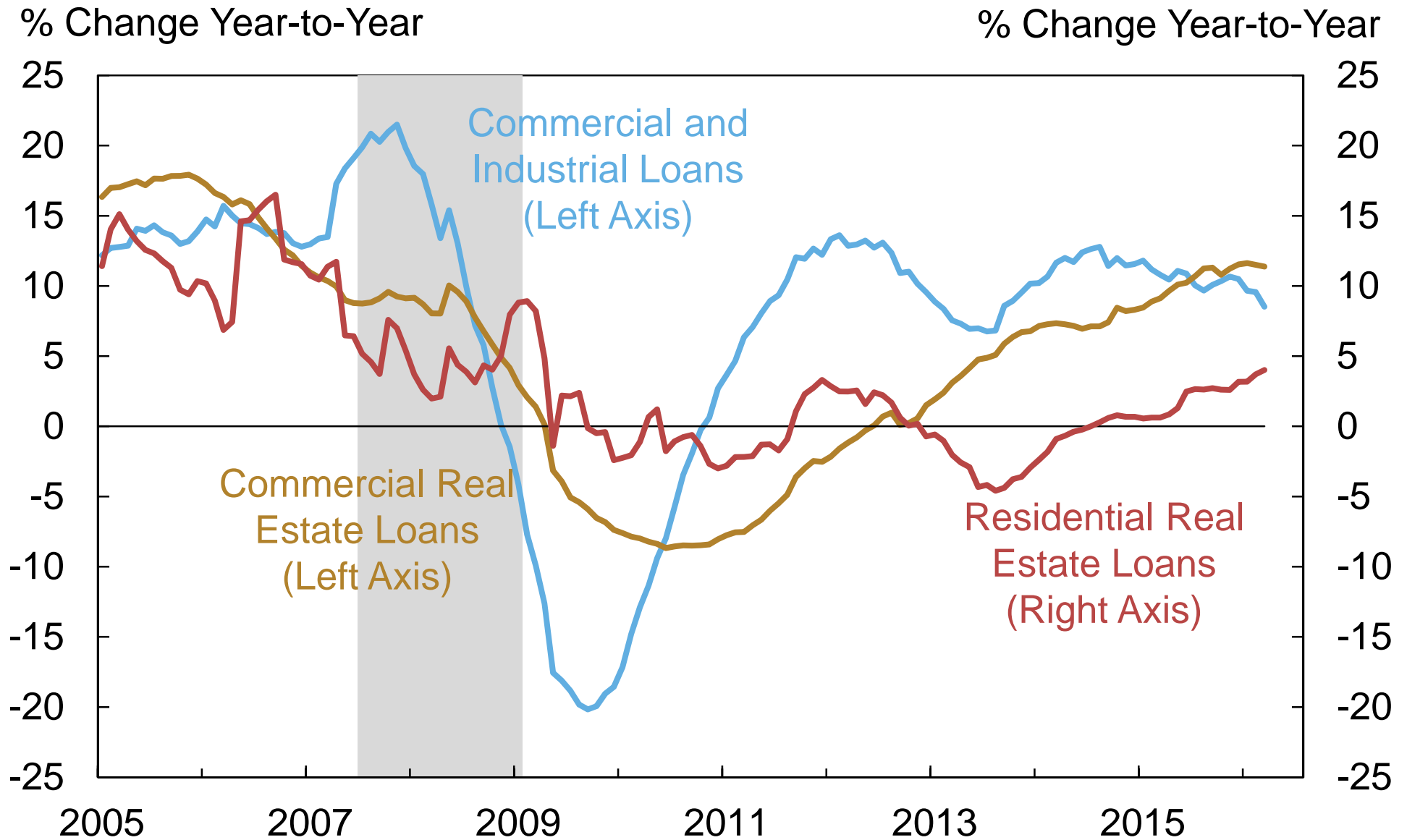
TIPS Based Inflation Expectations



Source: Federal Reserve Board

Note: Carry-adjusted

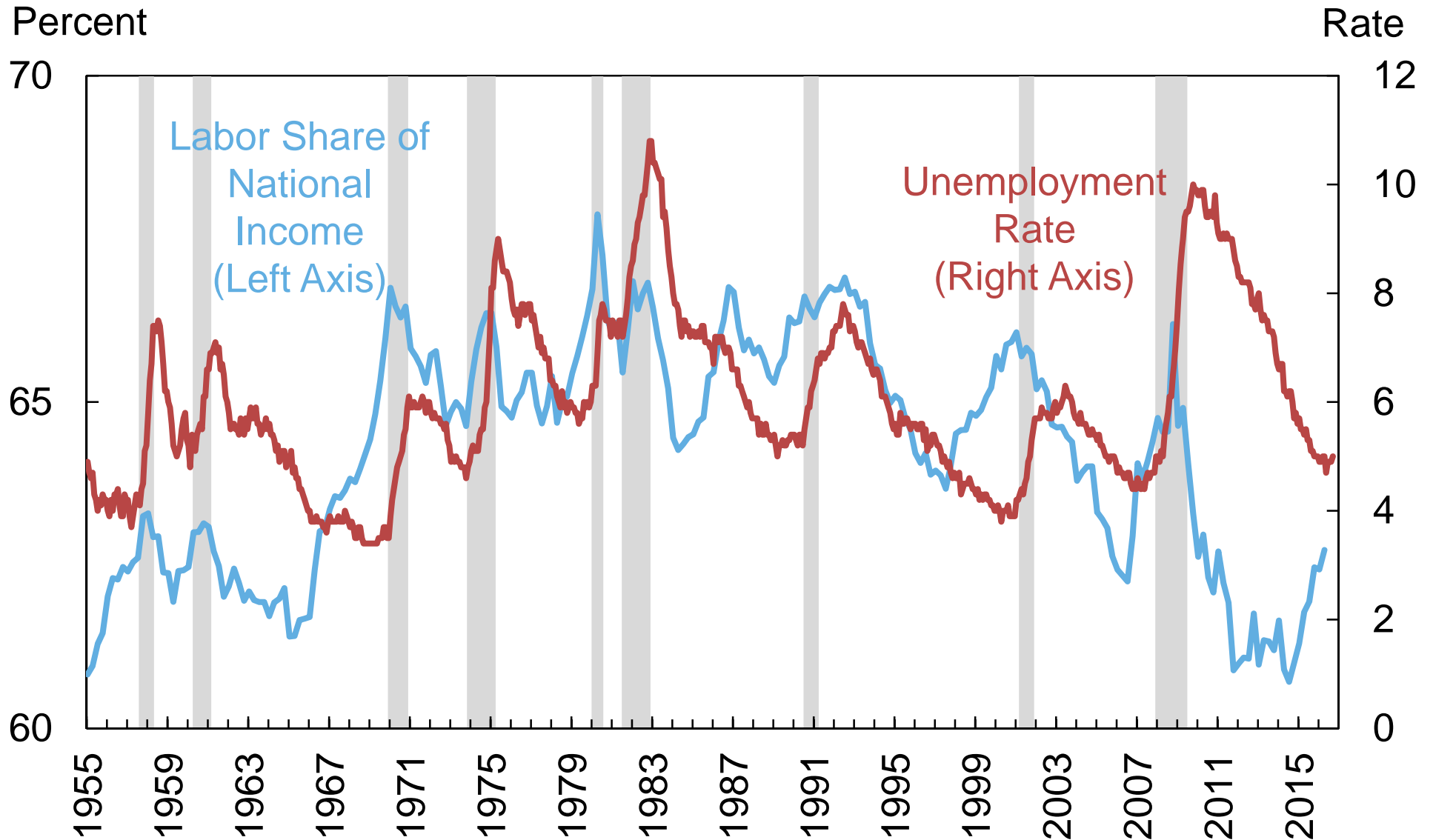
Bank Assets: Domestically and Foreign Chartered Banks



Source: Federal Reserve Board

Note: Shading shows NBER recessions.

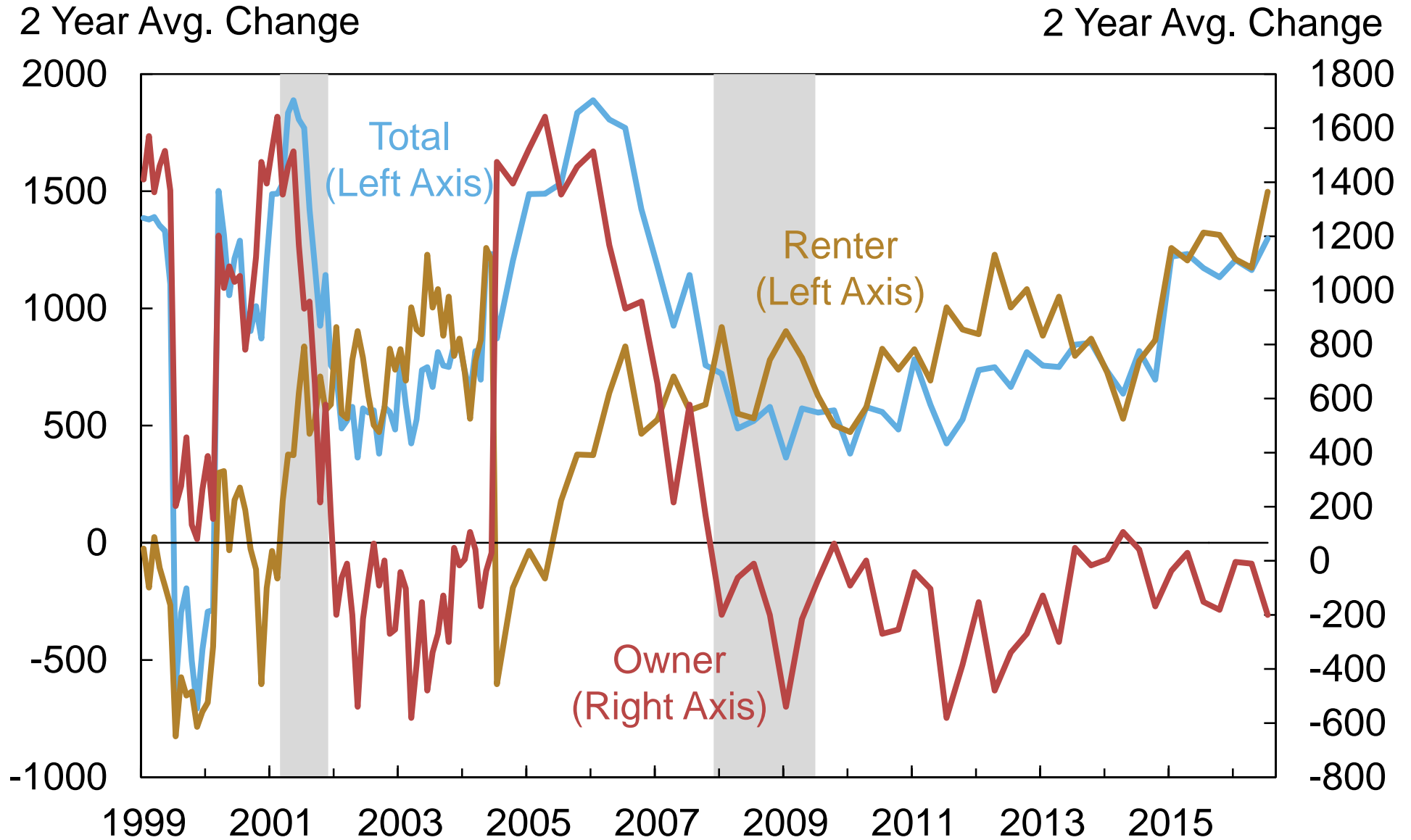
Labor Share of National Income and Unemployment Rate



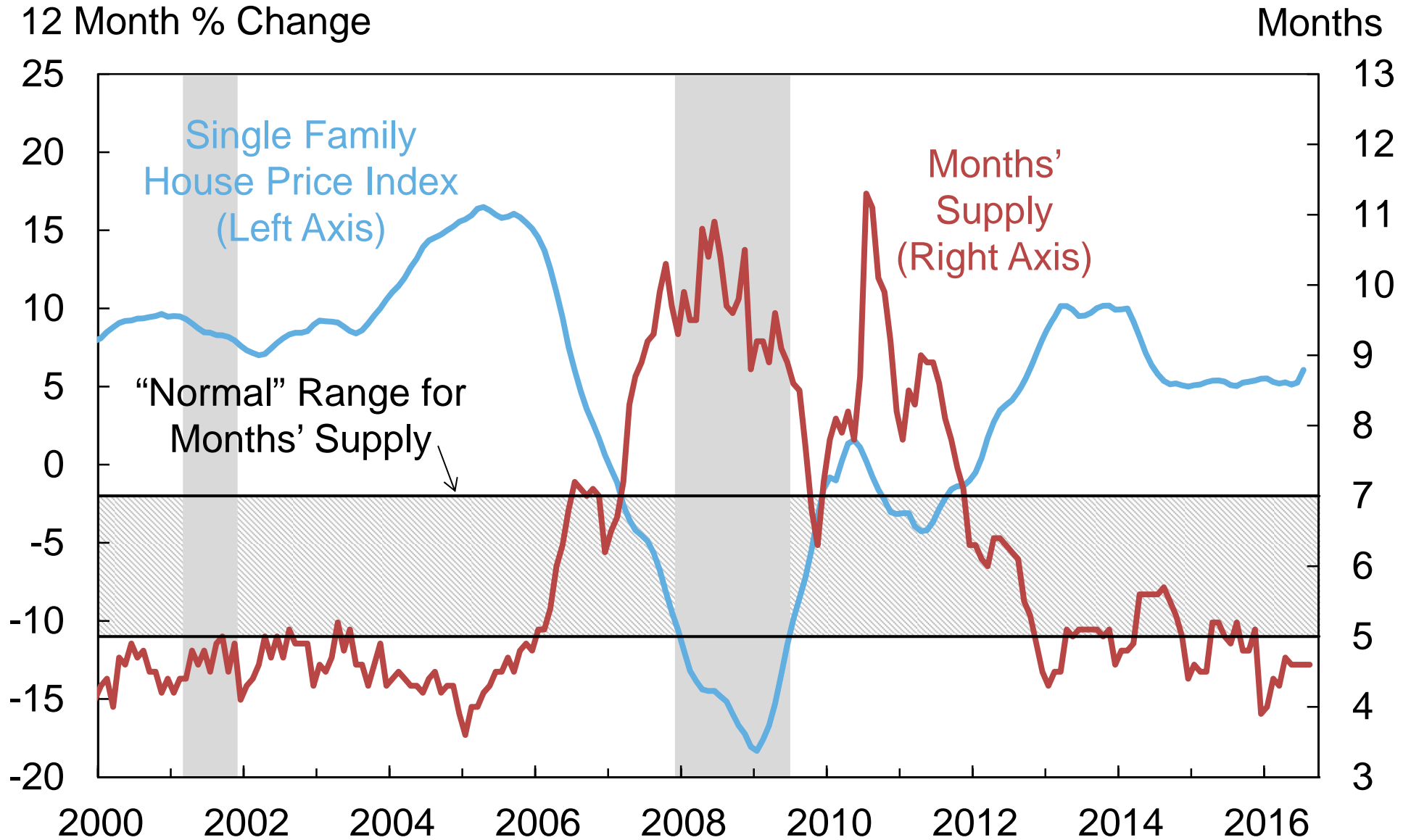
Source: Bureau of Economic Analysis,
Bureau of Labor Statistics

Note: Shading shows NBER recessions.

Household Formations



Single Family Housing Market



Source: CoreLogic, National Association of Realtors, via Haver Analytics

Note: Shading shows NBER recessions.



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Overview of the Regional Economy

Presentation to the Community Depository Institutions Advisory Council (CDIAC)

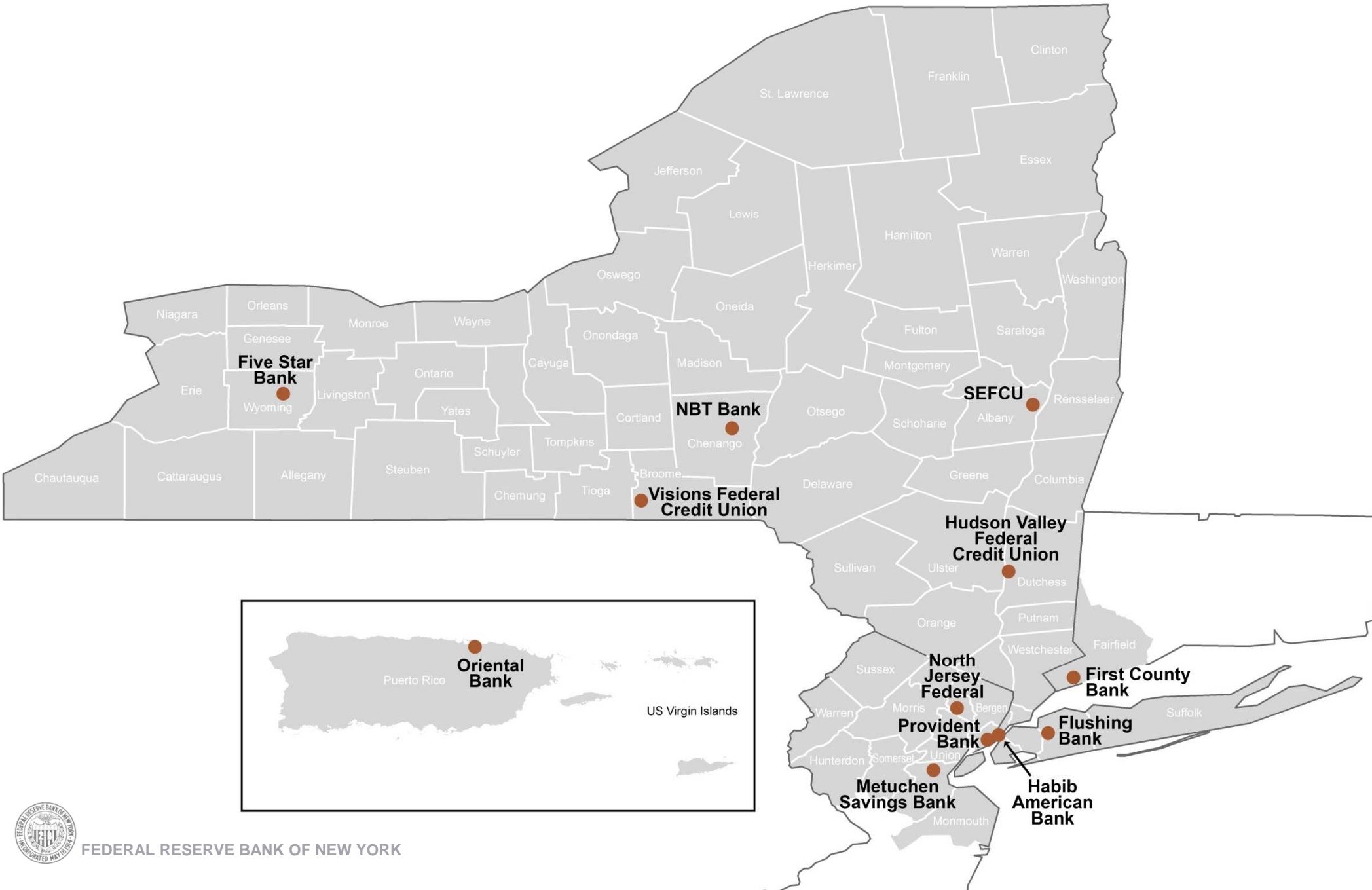
Jason Bram, Research Officer

October 14, 2016

The views expressed here are those of the presenter and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

The Second Federal Reserve District

CDIAC Members



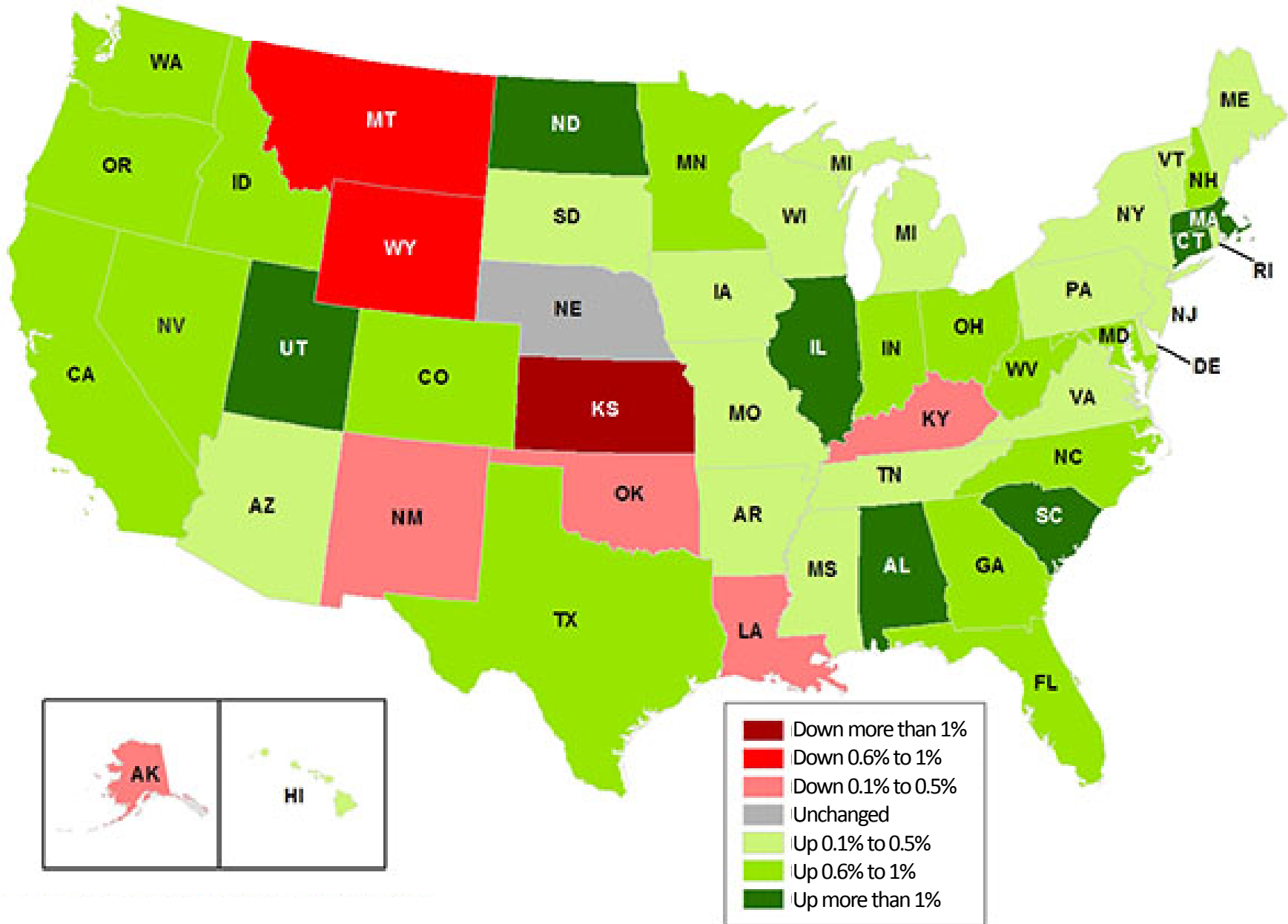
Overview of Regional Conditions

- Most of the regional economy has fared well, led by New York City; in contrast, Puerto Rico's economy remains depressed.
- Northern New Jersey's economy has registered tepid growth.
- New York City continues to boom as other industries, most notably tech, pick up the slack of a sluggish finance sector.
- Job growth in the Buffalo & Rochester metros is looking considerably stronger than preliminary estimates.
- Housing markets remain mixed with New York City and metro Buffalo out-performing.
- Recent business surveys indicate some negativity about current conditions in the region.



State Coincident Indexes

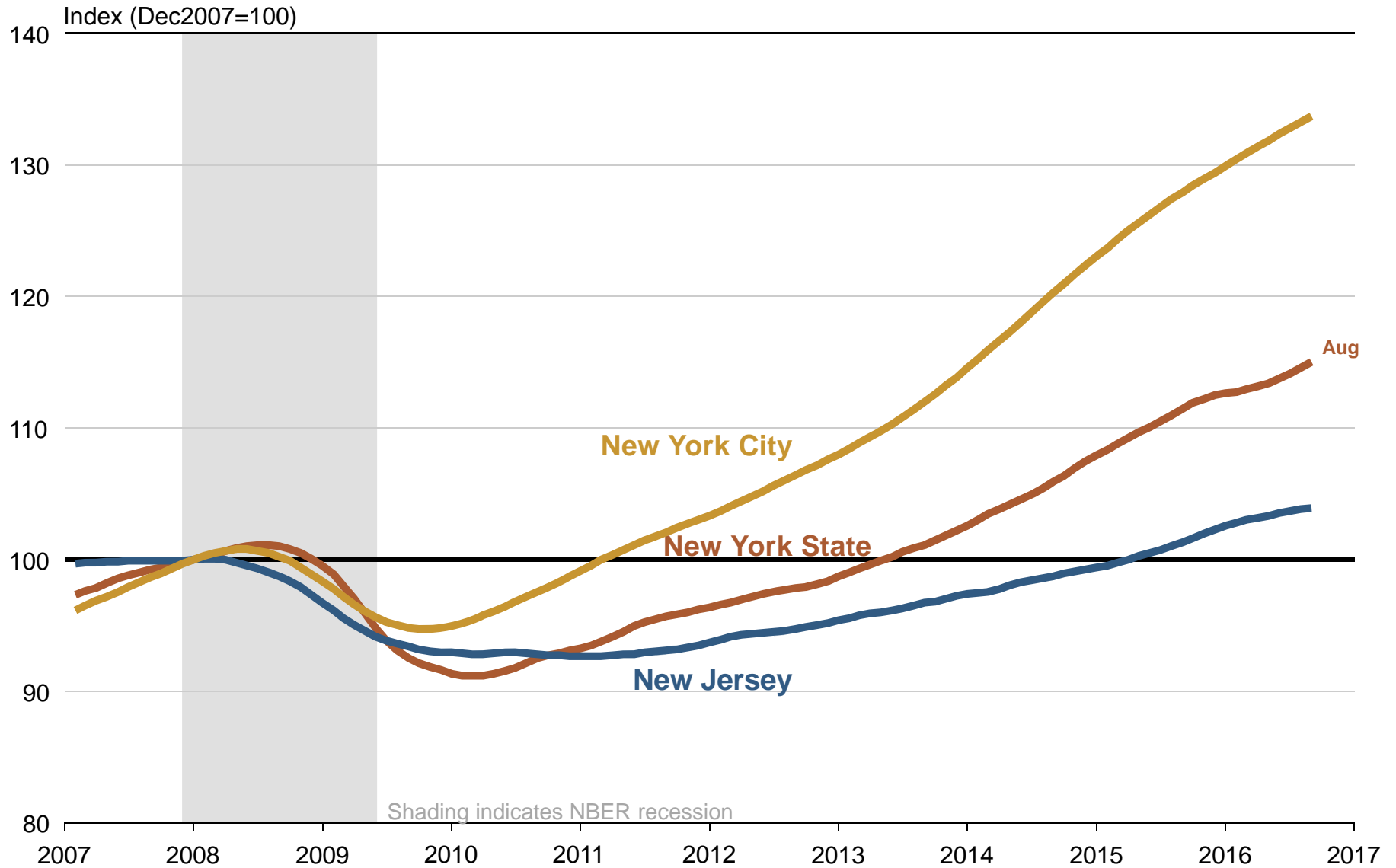
Three-Month Change Ending August 2016



Source: Federal Reserve Bank of Philadelphia

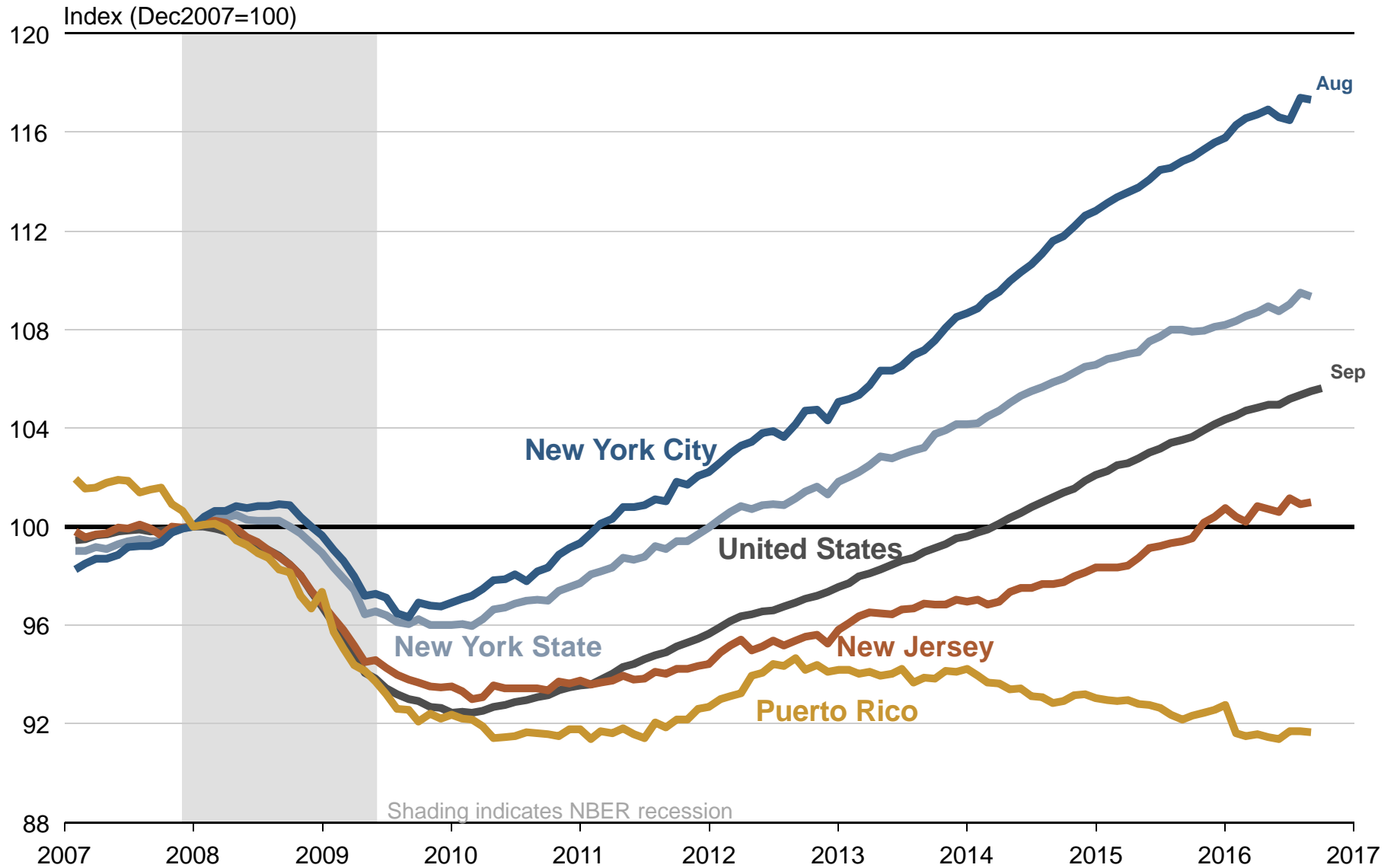
Regional Economic Activity

Index of Coincident Economic Indicators (CEI)



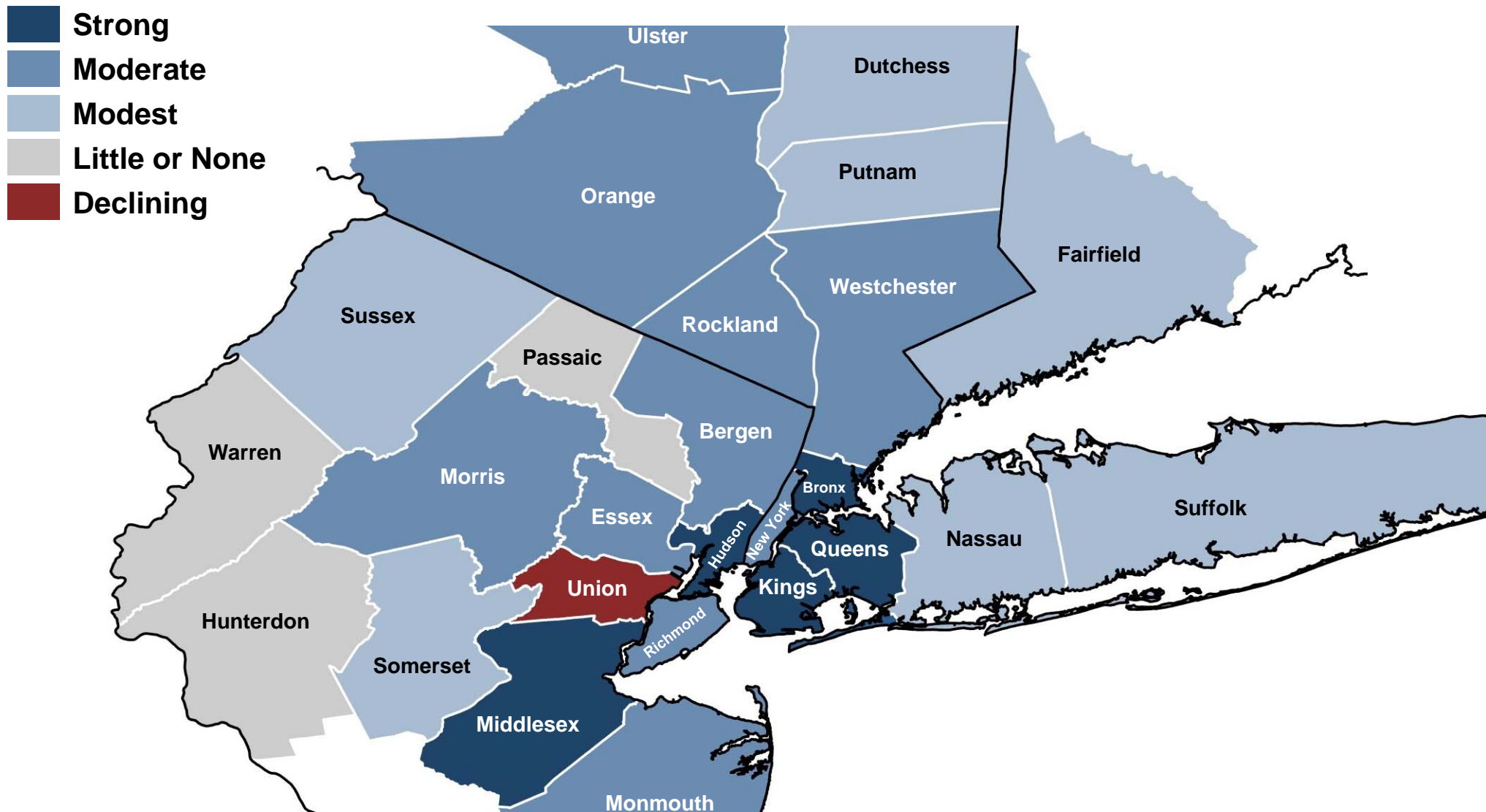
Private-Sector Employment

Seasonally Adjusted Index



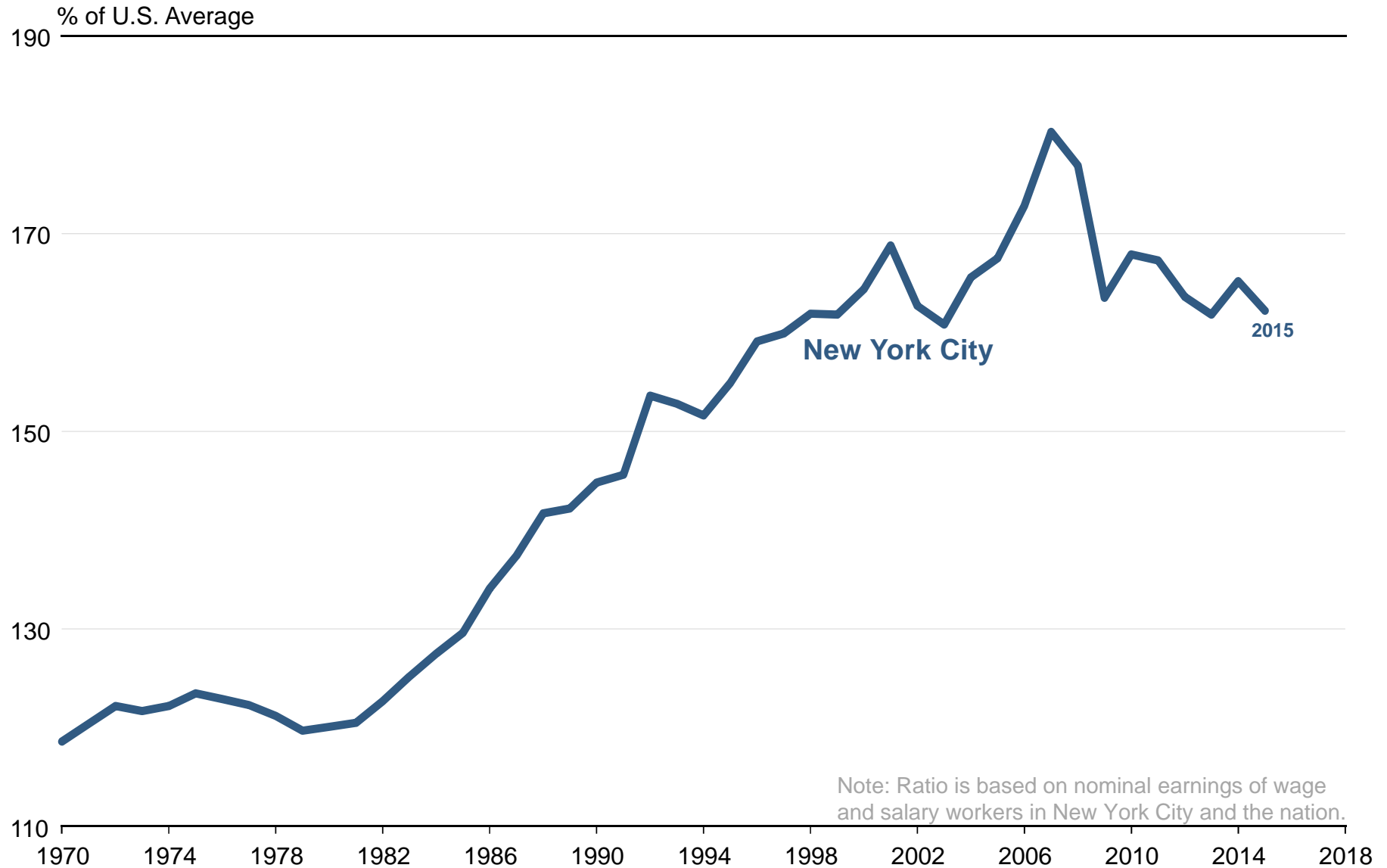
Employment Trends in and around NYC

2015 Private-Sector Job Growth



The New York City Premium

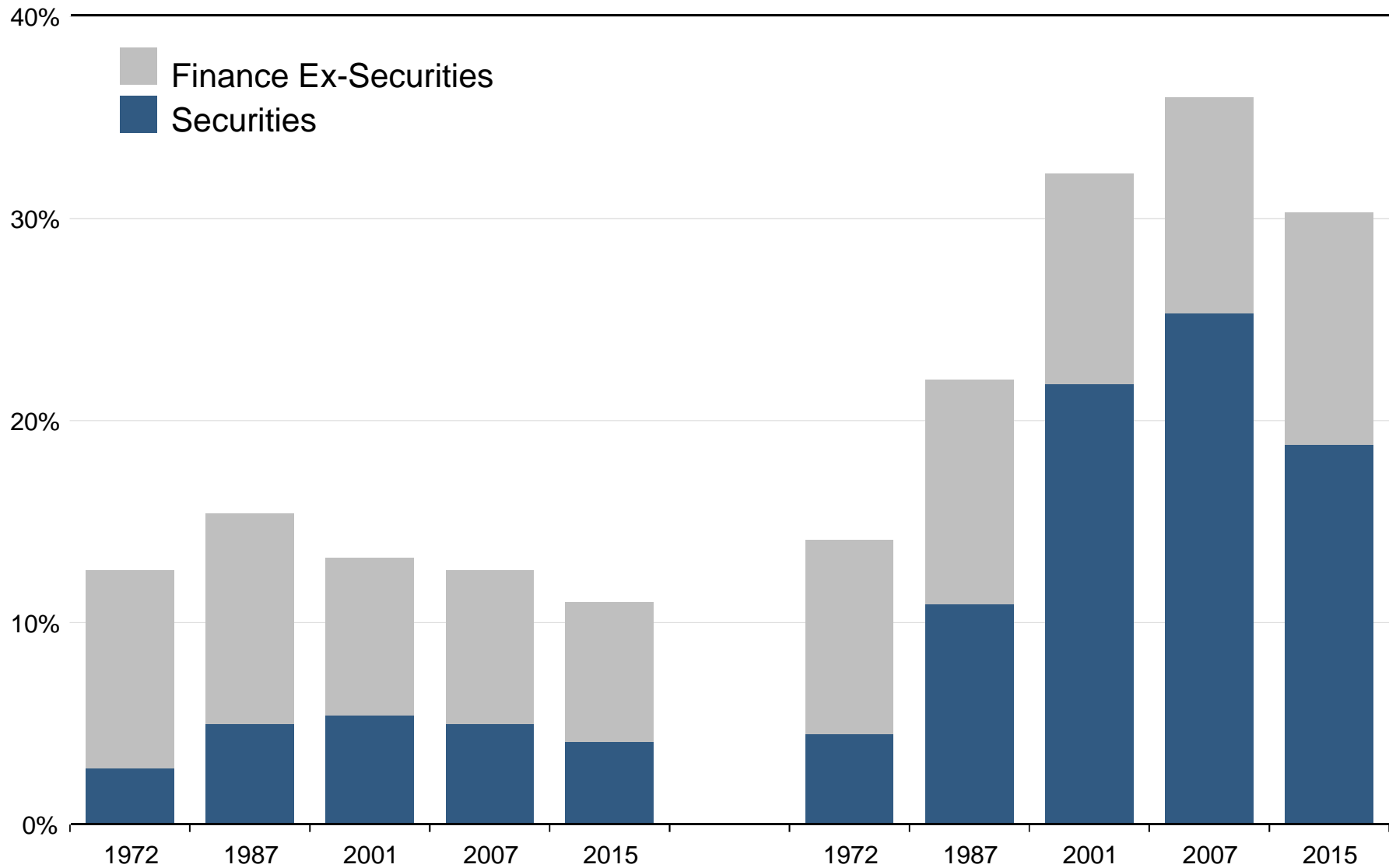
Average Earnings Per Worker in NYC as a Percent of the U.S. Average



Source: U.S. Bureau of Economic Analysis (earnings); U.S. Bureau of Labor Statistics (total employment); FRBNY staff calculations..

NYC Finance and Securities

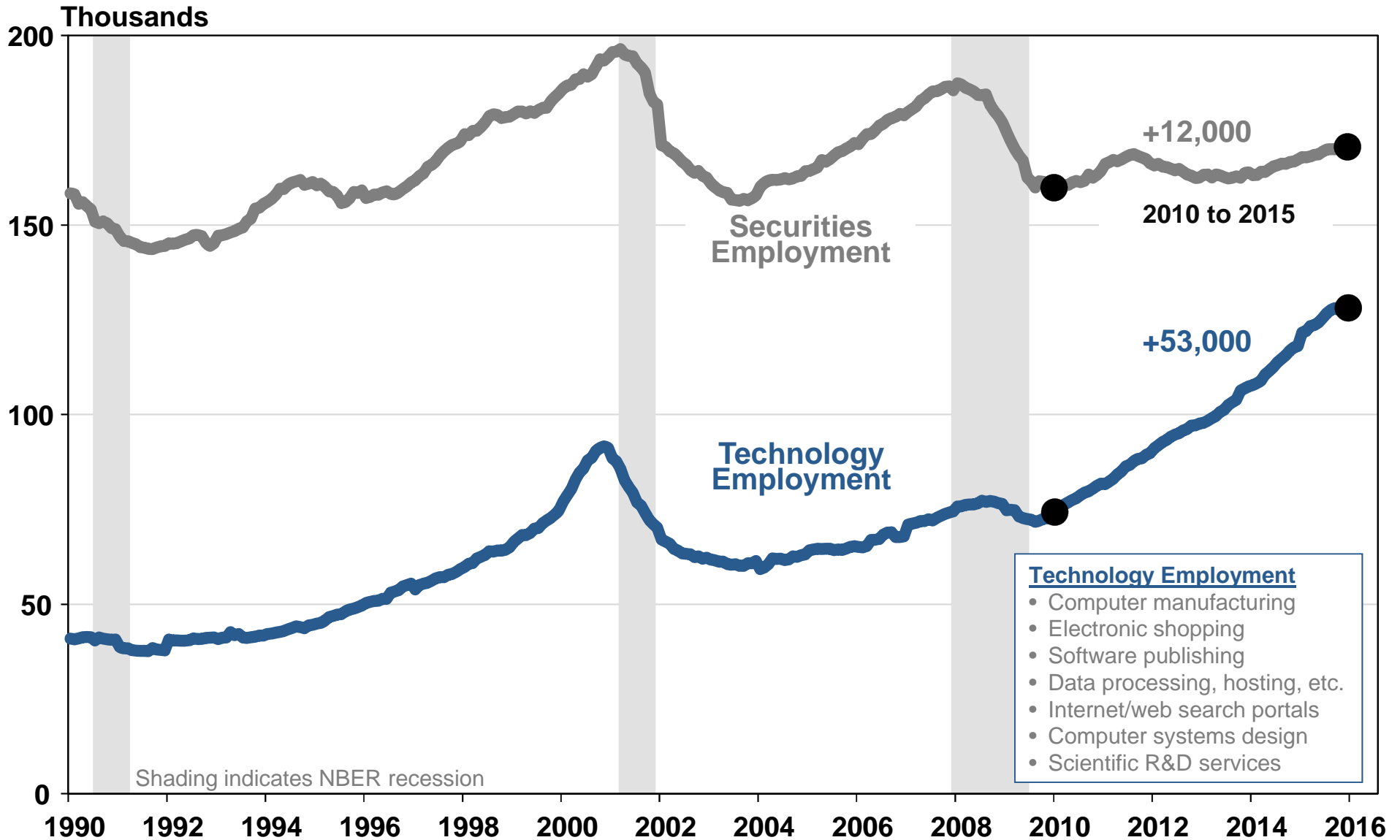
Sectors' Share of NYC Employment and Earnings



Source: Bureau of Labor Statistics (QCEW).

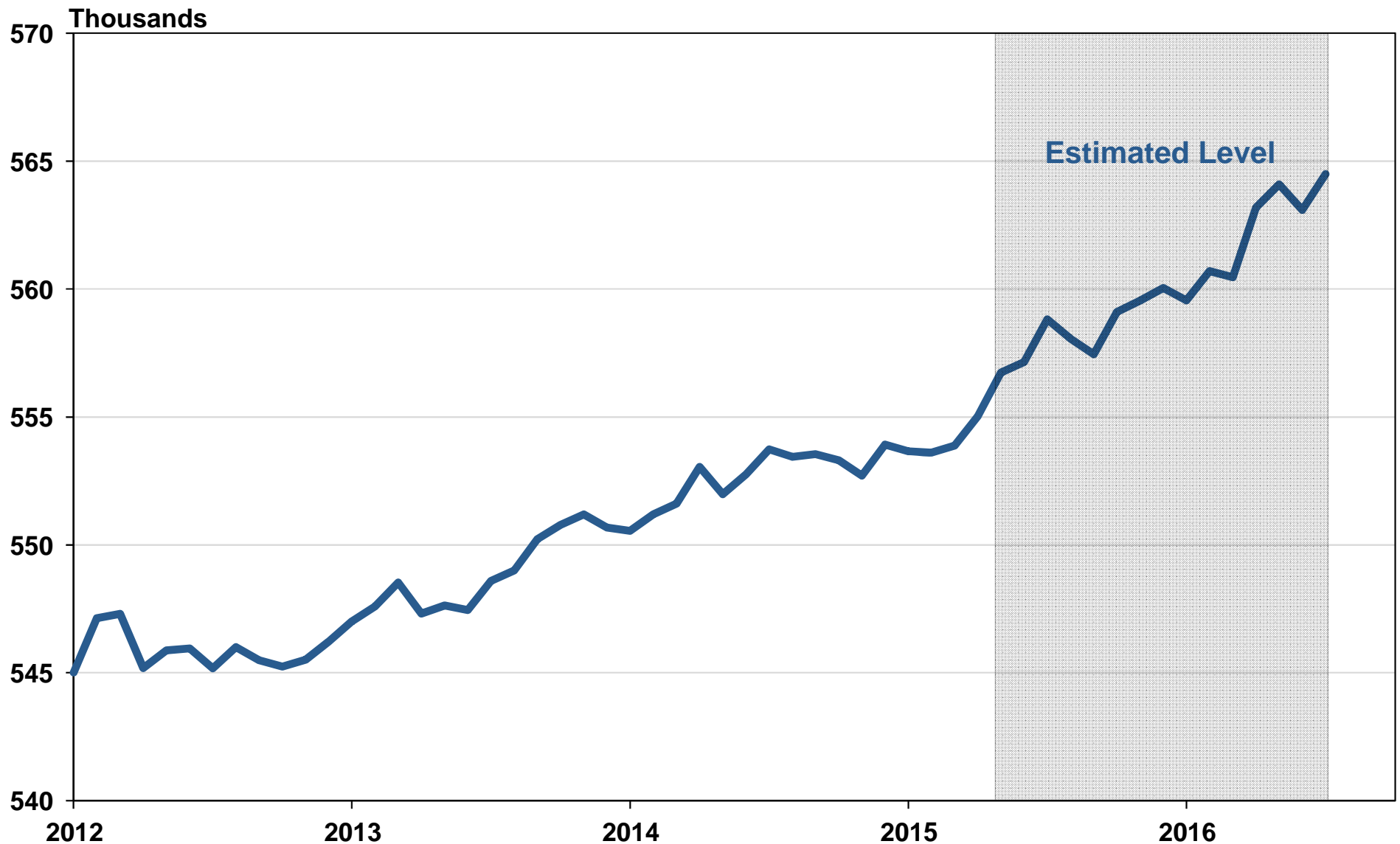
NYC Tech and Securities Employment

Thousands of Jobs



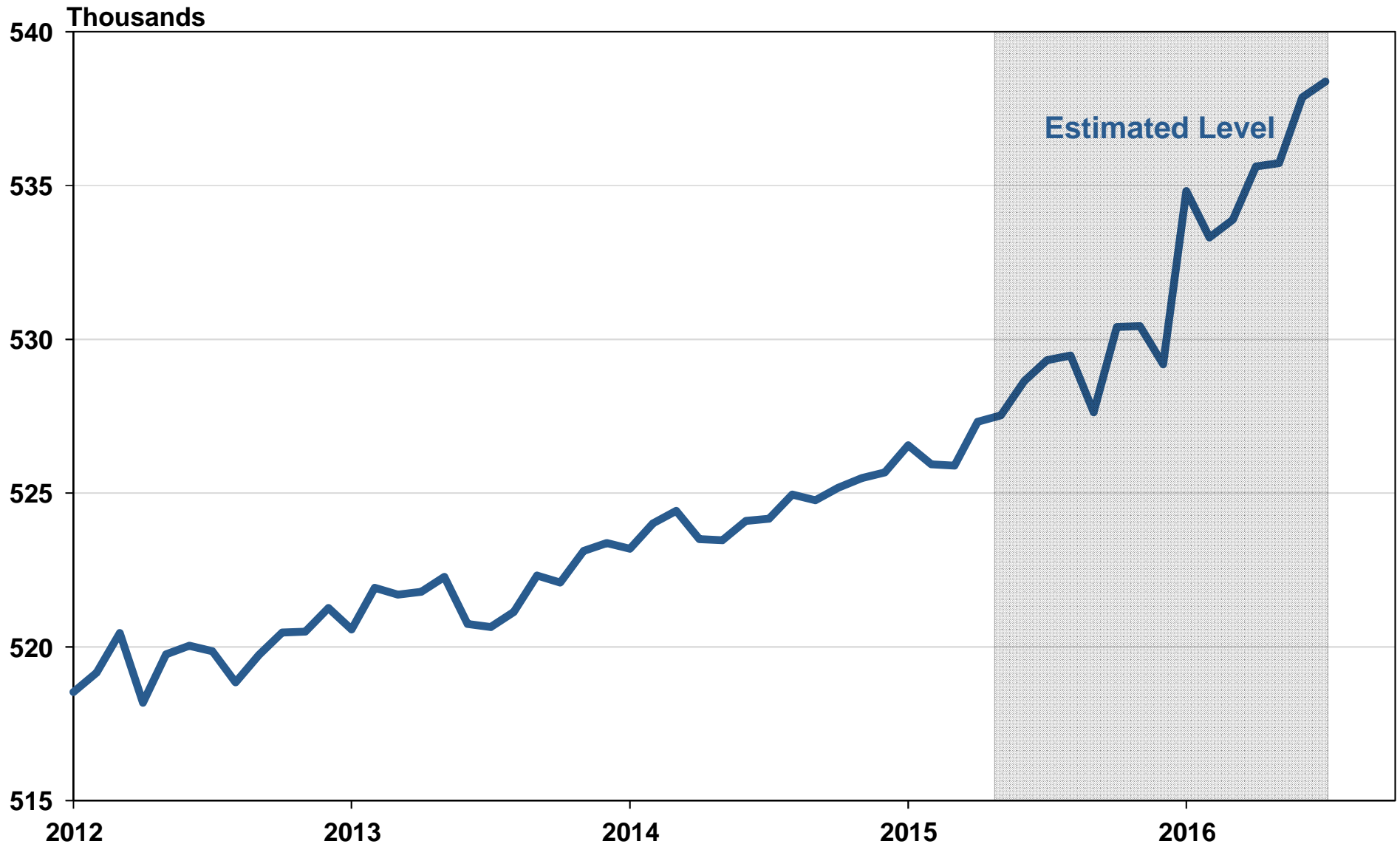
Buffalo MSA Payroll Employment

Incorporating Estimates Based on QCEW



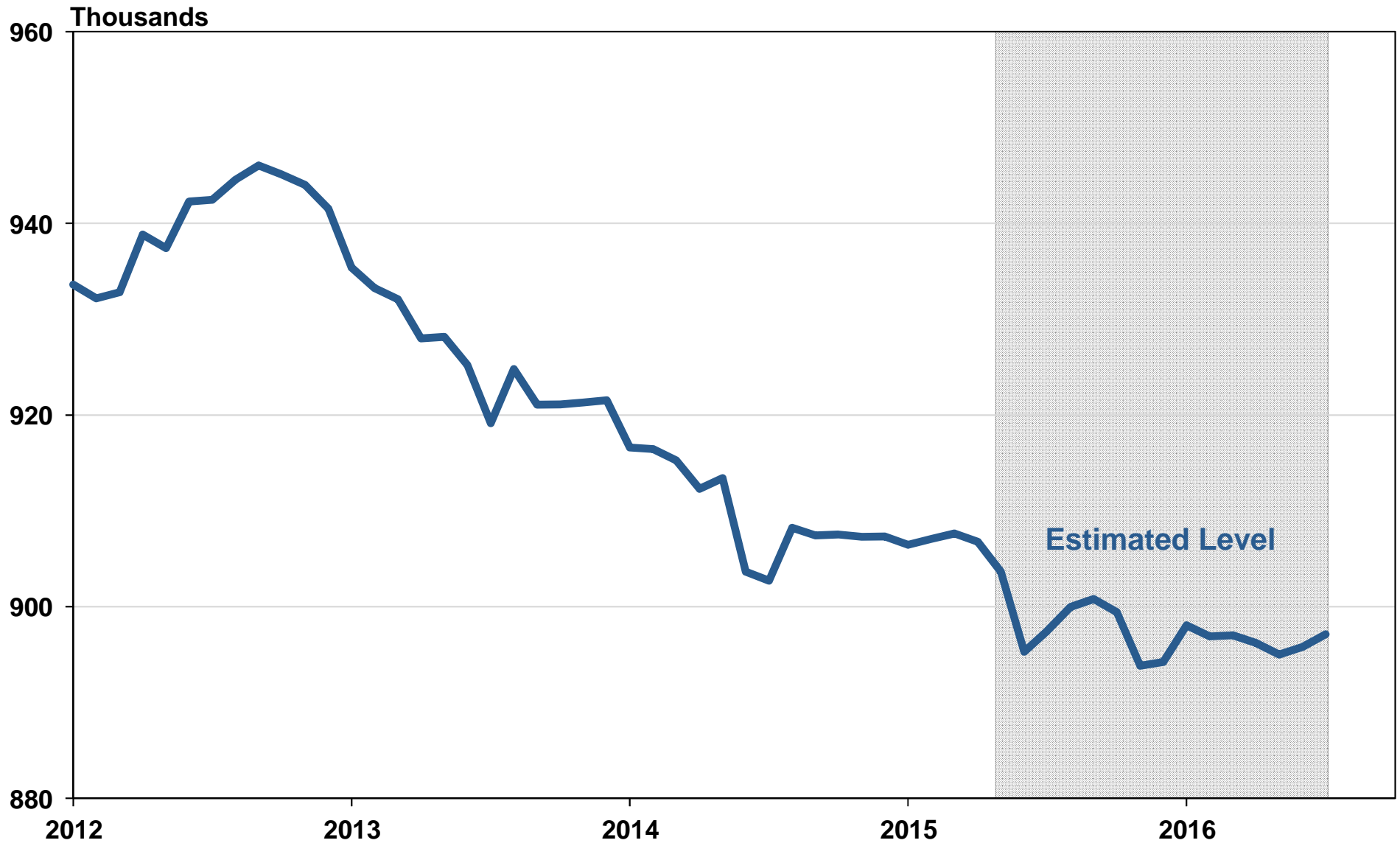
Rochester MSA Payroll Employment

Incorporating Estimates Based on QCEW



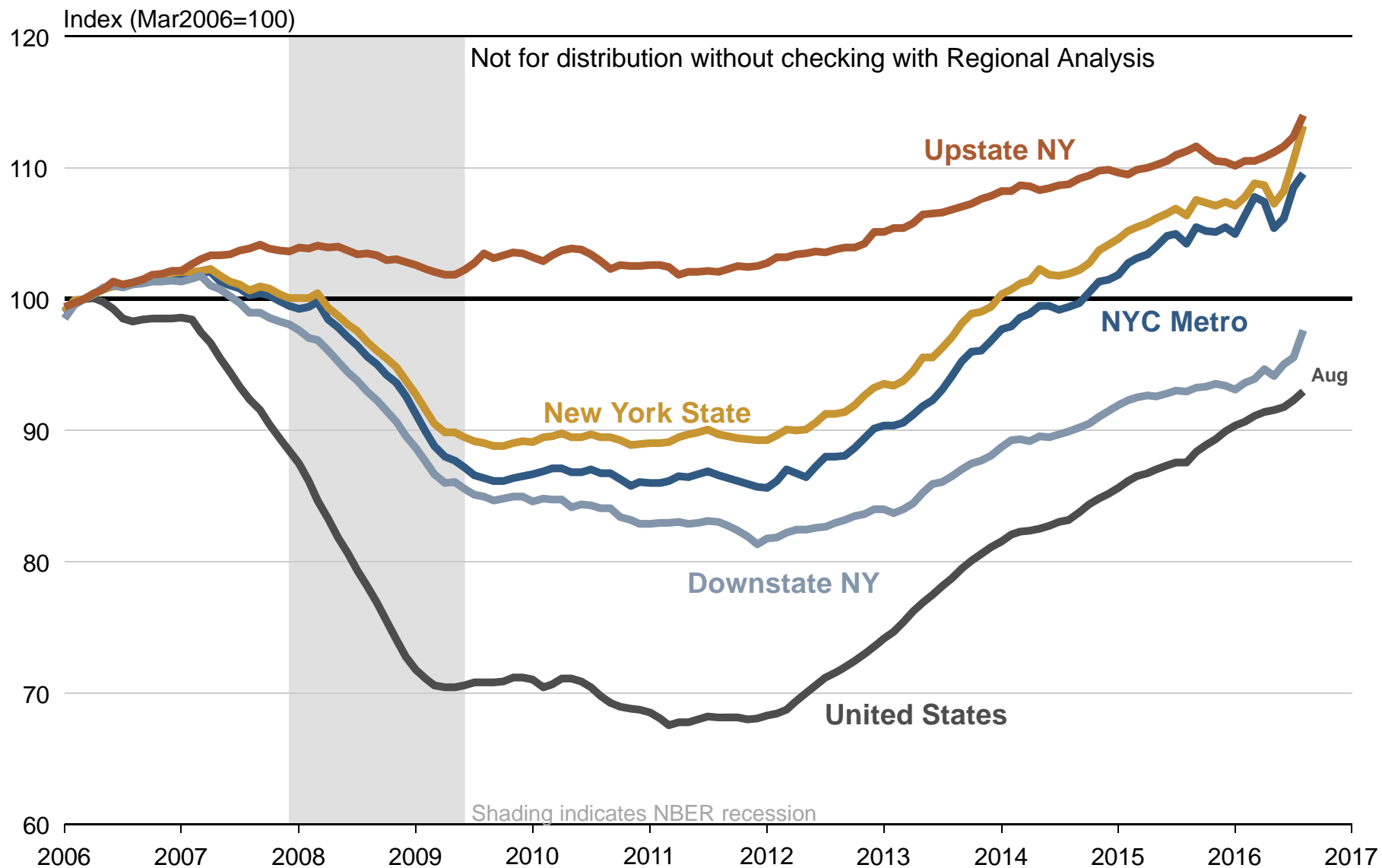
Puerto Rico Payroll Employment

Incorporating Estimates Based on QCEW



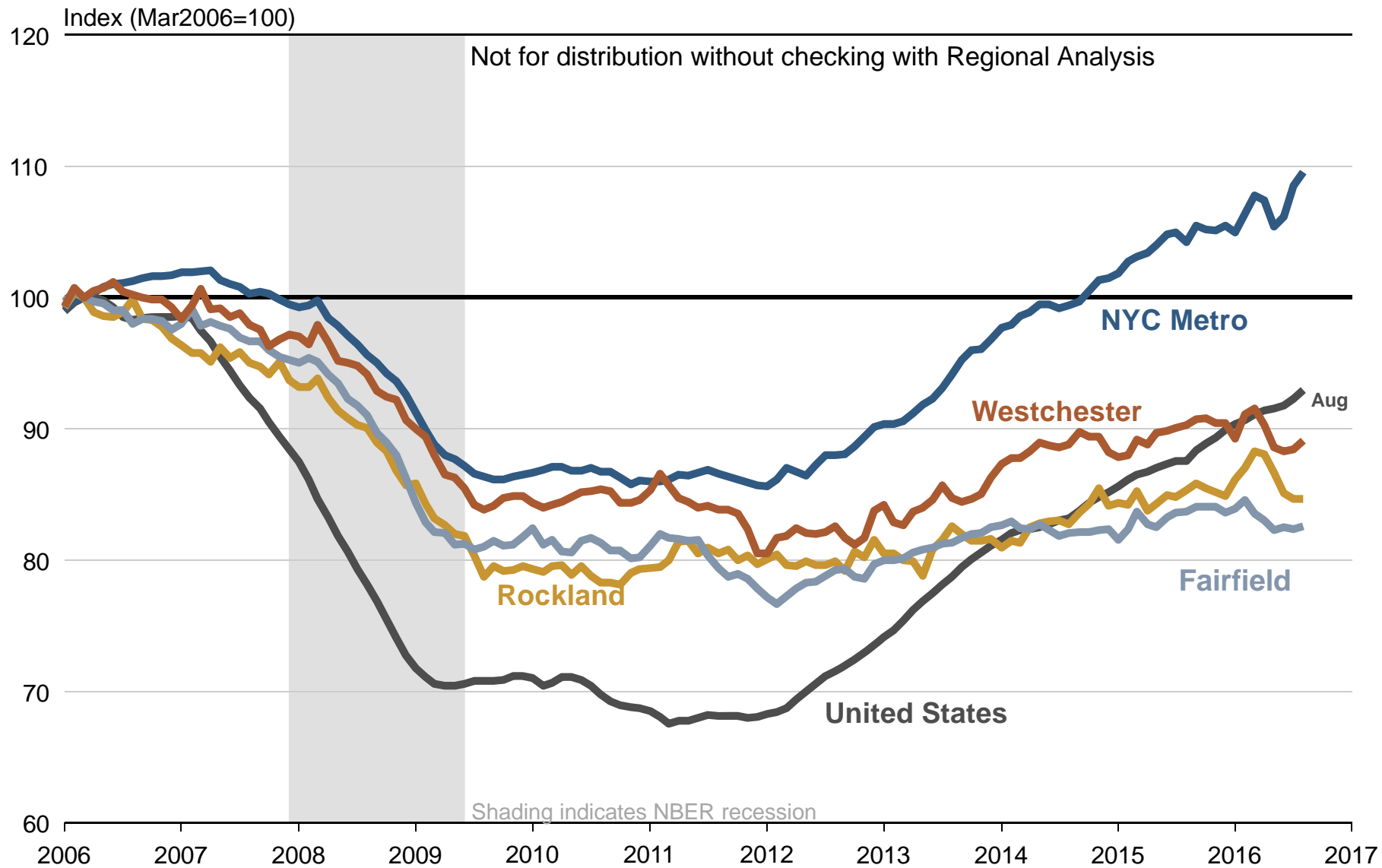
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



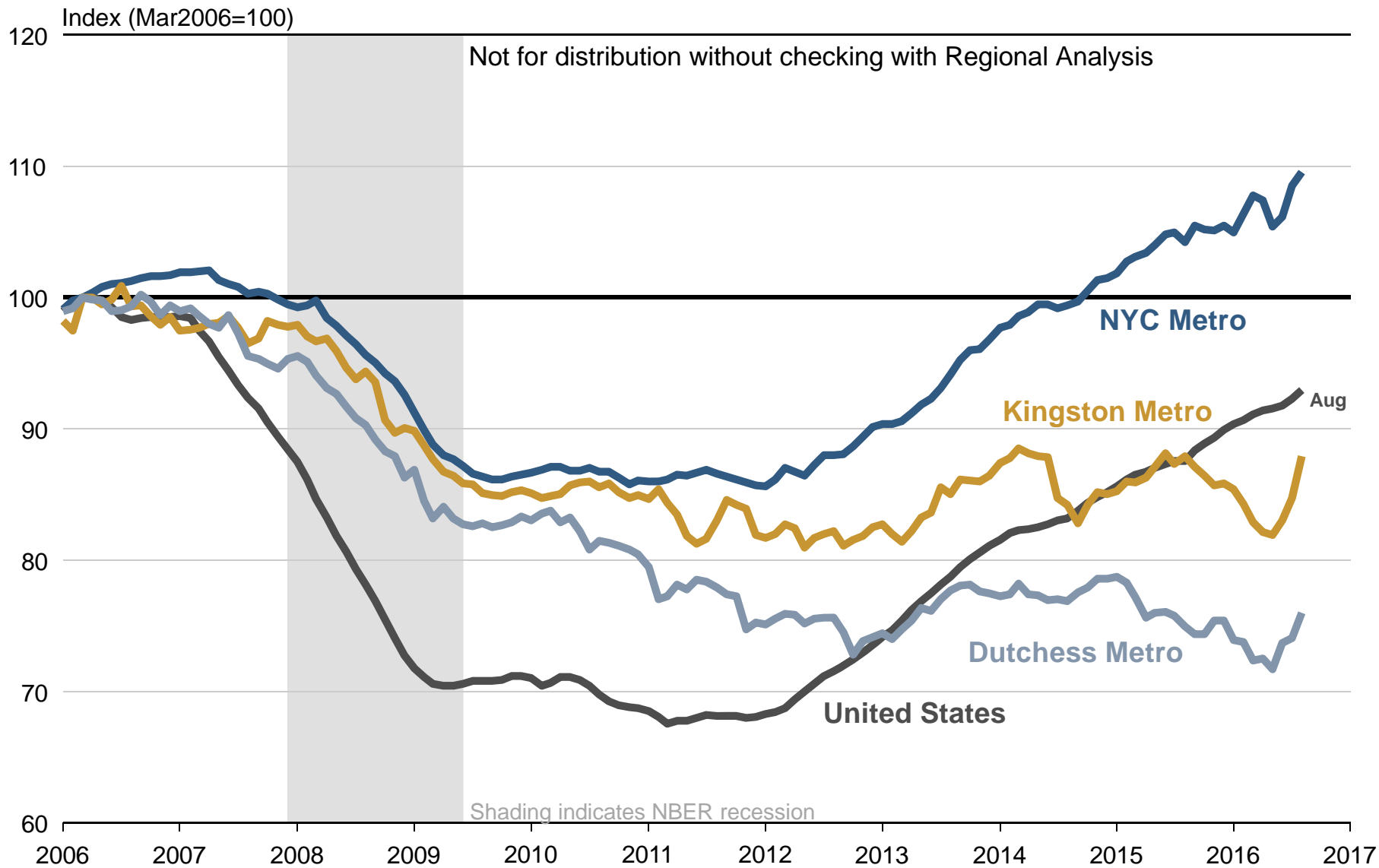
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



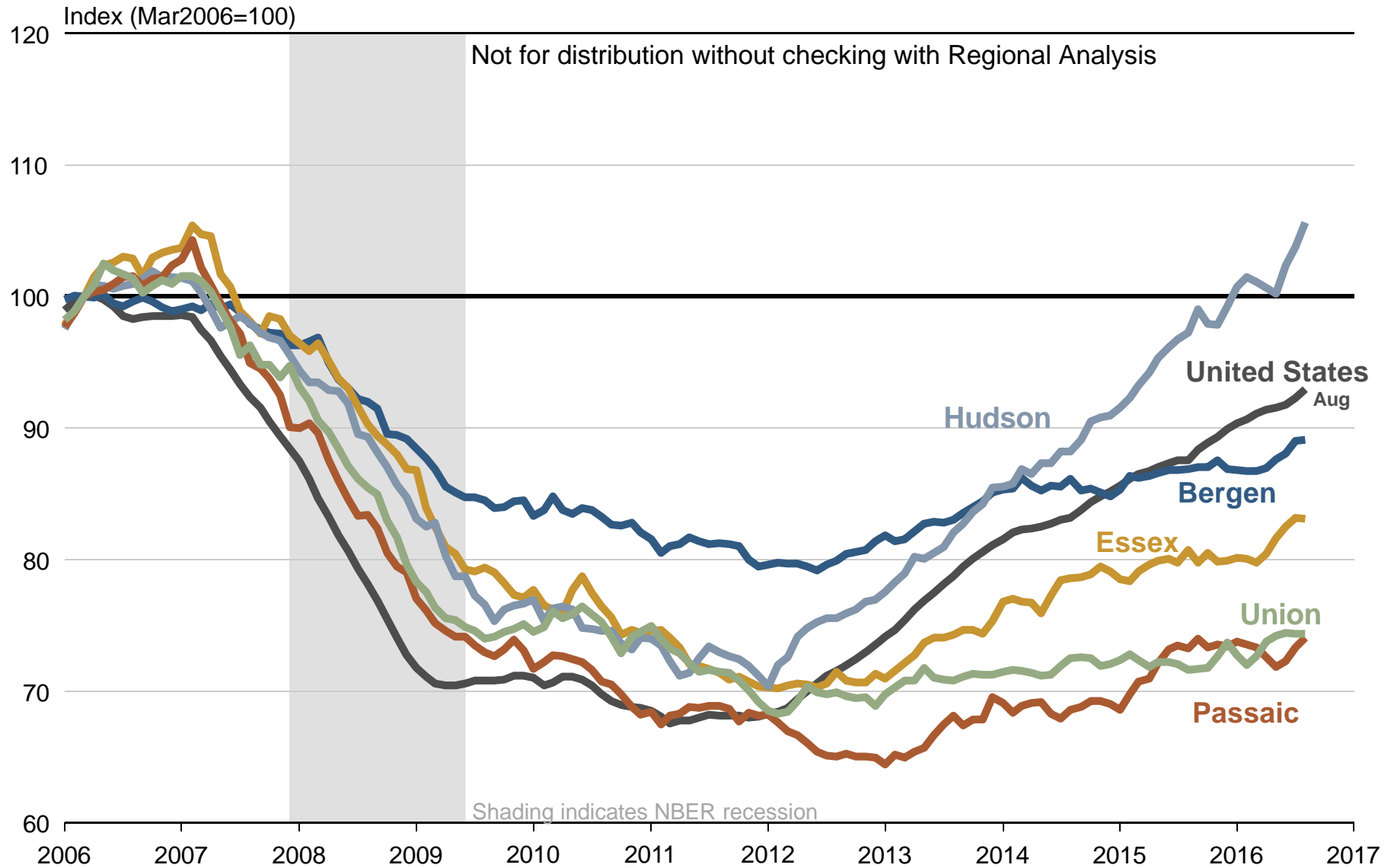
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



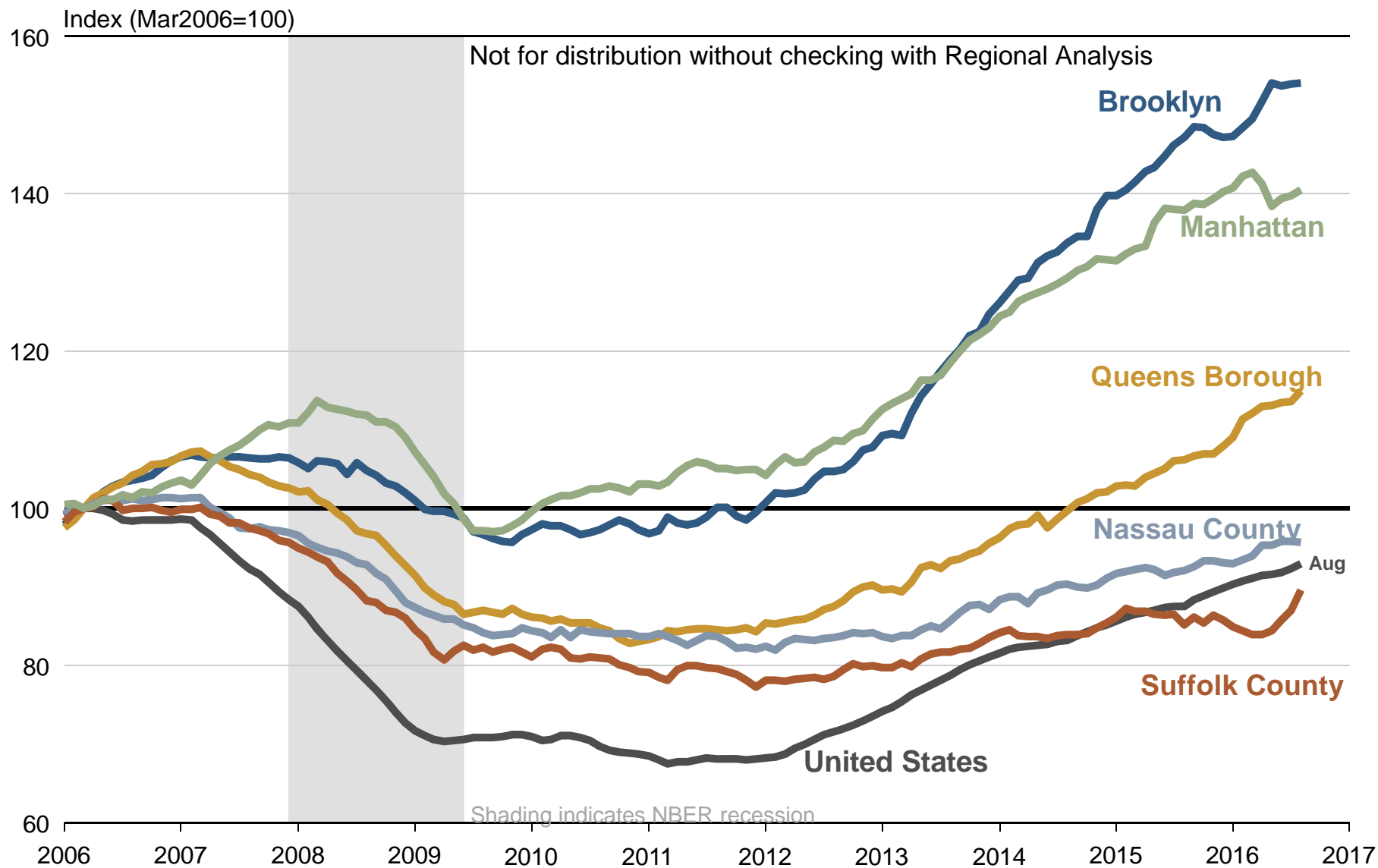
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



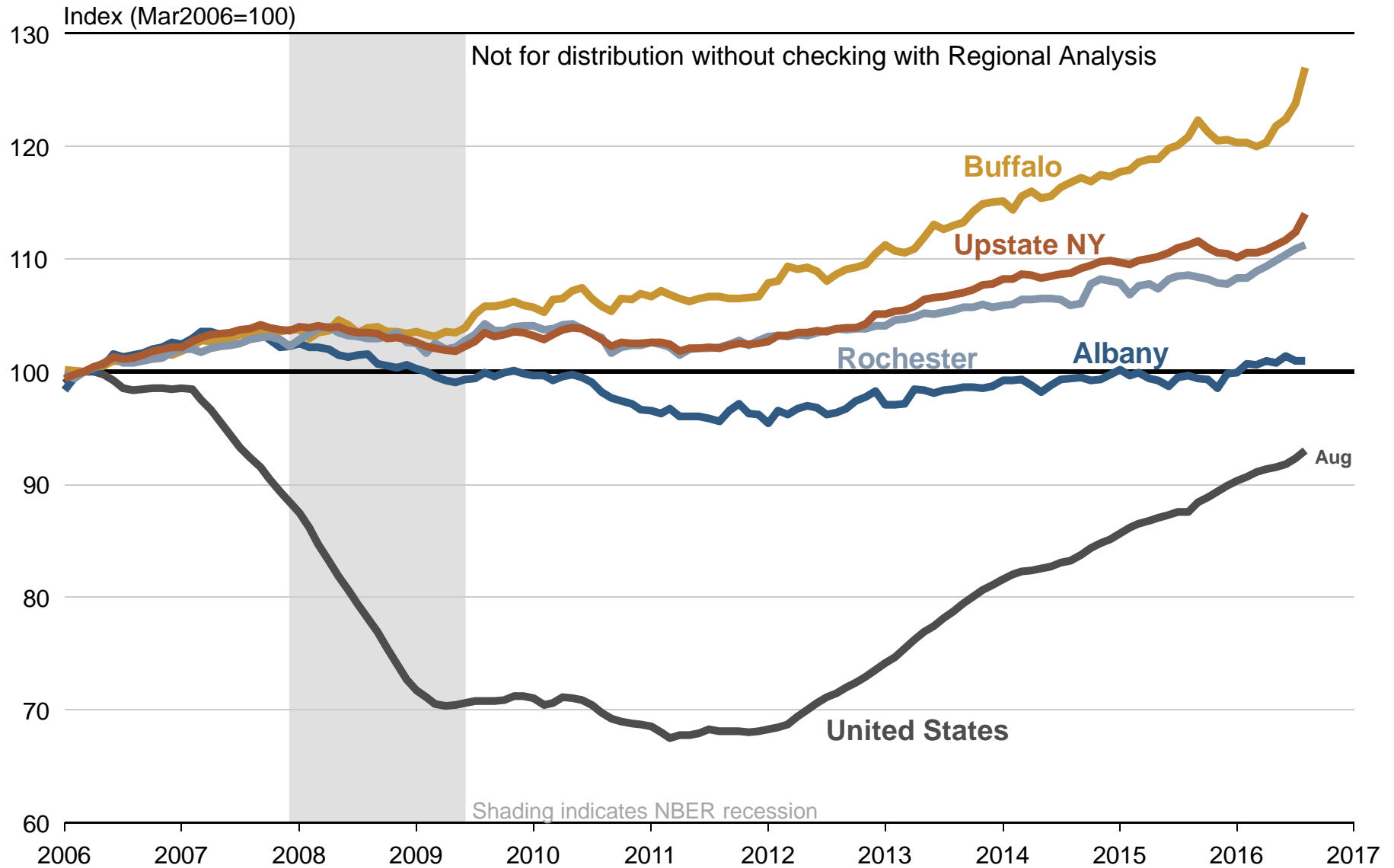
Home Prices

CoreLogic Home Price Index, Seasonally Adjusted



Home Prices

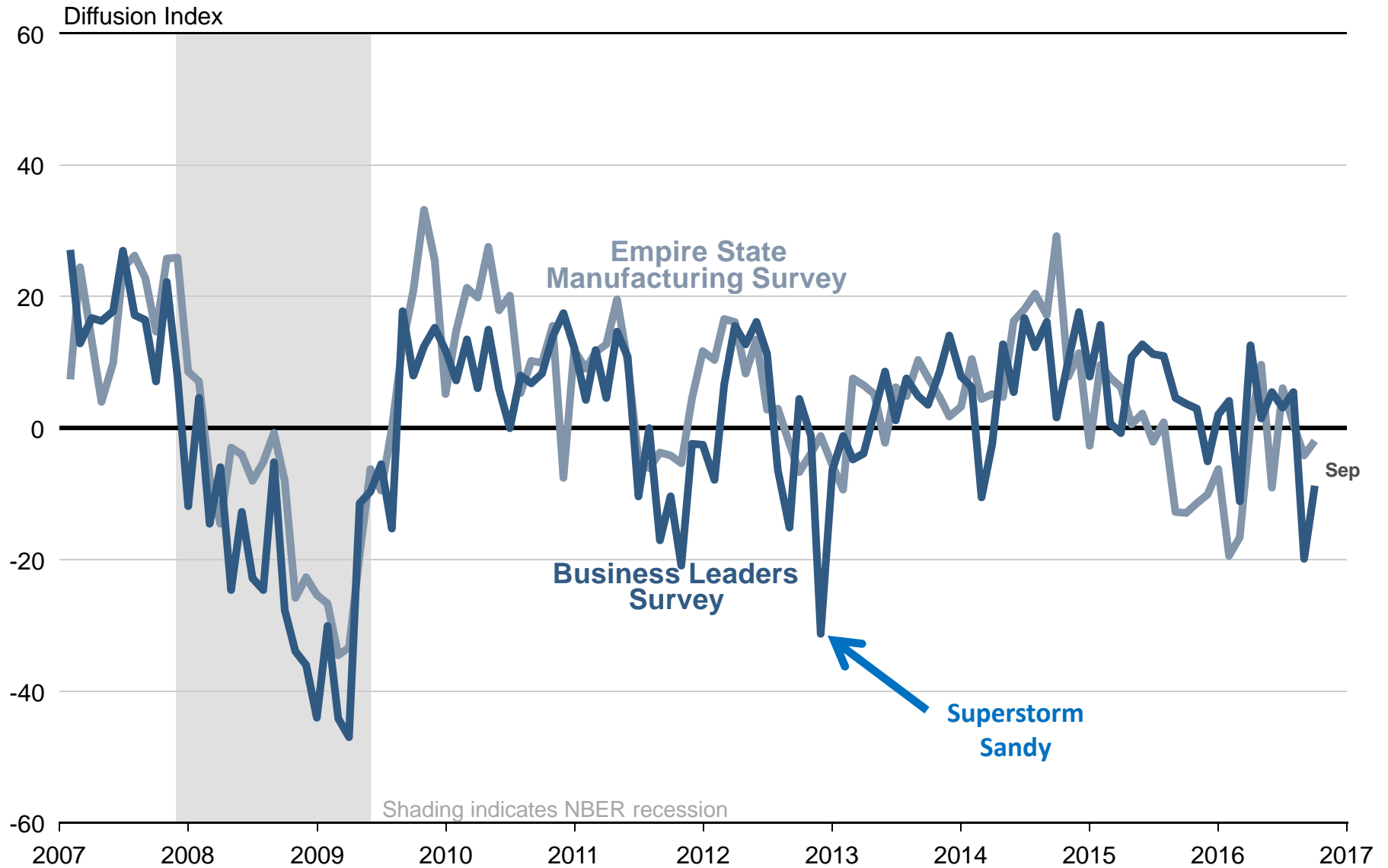
CoreLogic Home Price Index, Seasonally Adjusted



Source: CoreLogic Home Price Index (including distressed sales)

Current Economic Conditions

FRBNY Business Surveys, Current Conditions



Source: Federal Reserve Bank of New York