

**Minutes of the regular meeting of the
Community Depository Institutions Advisory Council**

11:00 a.m. – 2:30 p.m., Tuesday, March 3, 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.
Michael J. Castellana, President and CEO, SEFCU, Council Chair
Lisa M. Cathie, President and CEO, Ulster Savings Bank
Jose Rafael Fernández, President, CEO, and Vice Chairman, Oriental Bank and OFG Bancorp
Saleem Iqbal, President and CEO, Habib American Bank
Katherine J. Lisenon, President and CEO, Metuchen Savings
Thomas J. Shara, President and CEO, Lakeland Bank & Lakeland Bancorp, Inc.
John F. Trentacosta, President and CEO, Newtown Savings Bank

Federal Reserve Bank of New York staff:

Deborah Arndell
Christopher Calabia
Richard Charlton
William Dudley
Kenneth Isaacson
Miette Levine
Jamie McAndrews

James Orr
Richard Peach
Wilma Sabado
Joelle Scally
William Schaefer
Roseann Stichnoth
Luis Uranga

Ms. Stichnoth called the meeting to order at approximately 11:00 a.m.

1. Administrative Matters

Ms. Stichnoth and Mr. Castellana welcomed new member Martin Birmingham to the group.

Mr. Charlton reviewed the 2015 Antitrust Guidelines with the Council.

2. Presentations to Council Members

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

Mr. Isaacson gave a presentation on payment strategies.

3. 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 a positive start to 2015, with robust competition across all loan categories. Members noted, however, that regulatory compliance costs and data security issues present challenges.

Members reported improvements in small business lending, with strong competition for the best credit scores. Members noted increased competition among commercial real estate lenders, with mixed use and multi-family being particularly strong. Although the Qualified Mortgage (QM) rule has made mortgage lending more challenging, members reported continued improvement in mortgage lending in most markets. Auto loans are also strong, though members noted that more risks are being taken, particularly with subprime auto loans. Deposits remain mostly flat.

Turning to general economic conditions, members generally reported that conditions have improved significantly over the last six months. Some areas, however, such as Puerto Rico, continue to lag behind. Members noted a strong labor market although some positions, particularly those requiring technical skills or compliance experience, remain more difficult to fill. On the payments side, members noted the continued growth in the popularity of mobile payments and emergence of new payment platforms.

In the discussion of examination practices, members reported that examination practices are generally of high quality and fair and equitable. Members noted a heightened focus on compliance in examinations.

The group's discussion of regulatory and other matters touched on compliance with the QM rule, the future value of branch networks, and increasing compliance and regulatory costs.

The meeting adjourned at approximately 2:30 p.m.