



## Meeting Minutes

March 4, 2025

### **CDIAC Members in Attendance:**

Byron Bexley, American Bank (Council Chair)

Cynthia Blankenship, Bank of the West

George Cummings III, Progressive Bank

Asif Dakri, Wallis Bank

Gail Enda, American Airlines Federal Credit Union

Bobby Hoxworth, First National Bank Texas

Isaac Johnson, TDECU

Bob Malone, Sonora Bank

Raymond Rust III, Commercial Bank of Texas, N.A.

Ford Sasser, Rio Bank

### **Federal Reserve Bank of Dallas Directors in Attendance:**

Robert Hulsey, American National Bank of Texas

### **Federal Reserve Bank Staff in Attendance:**

Lorie Logan, Robert Triplett, Tommy Alsbrooks, Emily Greenwald, Daron Peschel, Mike Schetzel, Sam Schulhofer-Wohl, Jeff Bongiovanni, Donald Bowers, Lorenzo Garza, Amy McGregor, Selena Munoz, Tim Stearns, Mike Timoney, Guhan Venkatu, Paul Wheeler, Julieta Ezeiza, Ally Hoffman, Juan Marquez, Tamara Missick, Alessio Saretto, Karen Smith, Jody Stanley, William Bliss, Reid Cook, Jamie Garcia, Ben Munyan, Kristof Csaky, Seth Dunbar, Robert Leigh, Nik Sareen

### **Administrative:**

Mr. Bexley called the meeting of the Community Depository Institutions Advisory Council (Council) to order at 1:00 pm CT. Lorie Logan, president and CEO, greeted members. Emily Greenwald, senior vice president, outlined the meeting protocols and reviewed meeting logistics. Jody Stanley, corporate secretary, provided an overview of the Bank's antitrust policy.

### **Banking Conditions Update:**

Ben Munyan, director, delivered a presentation on banking and economic conditions to the Council. Subsequent discussion focused on the data used to calculate unemployment statistics and differences between the conditions reflected in the data and the results of the Dallas Fed's economic surveys.



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Council members shared their views on the following topics as part of the roundtable discussion:

### **Economic Conditions:**

Council members reported positive economic conditions throughout most of the 11<sup>th</sup> District but noted that the outlook was uncertain. Members of the Council discussed that economic activity remains strong along the Texas-Mexico border and in the Dallas and Houston metropolitan areas. Some members reported that consumers, particularly low-to-moderate income customers, remain challenged by high prices and use credit primarily for basic living necessities. Discussion ensued regarding home affordability, with some members of the Council noting that it remains a top concern in some areas due to increases in taxes and property insurance. Council members reported that uncertainty around trade policy may have widespread impact ranging from increases in construction costs due to increases in the price for lumber to uncertainty among importers who are unsure as to how to price products. Council members noted that Energy continues to support the Eleventh District economy with the potential to grow in coming months; however, some members raised concerns that new projects, including the development of a new liquified natural gas terminal on the Gulf Coast and an influx of new data centers and other tech-related activity, may place stress on local infrastructure. Concerning agriculture, several members reported that ranchland is being divided and sold as hunting or weekend properties, reducing the total area available for farming and ranching. Discussion ensued regarding drought conditions and a water shortage, and how these factors continue to present challenges in central and south Texas.

### **Asset Quality:**

Asset quality is an emerging concern as members reported pockets of increased delinquencies and charge-offs among credit card, auto, and commercial real estate (CRE) loans along with weakness in some 1-4 family residential loan portfolios. Council members attributed some deterioration in auto lending to customers who bought vehicles at elevated prices during the pandemic but struggle to make payments. Council members noted that credit quality among other consumer lending segments remains strong.

### **Commercial Real Estate Lending:**

Council members reported moderately stronger demand for CRE loans and a similar outlook; however, valuations in some areas are declining and initial appraisals are coming in lower than expected, posing a challenge to some larger loans. Council members noted that, in some areas, low occupancy and market competition is preventing customers from raising rents on properties to keep up with increased carrying costs and cap rates, which is causing debt service coverage to tighten. In particular, members mentioned that insurance costs and taxes are increasing, but most payments remain timely.



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### **Consumer Lending:**

Council members indicated that demand for consumer lending remains stable noting that it is driven by the need to finance everyday spending, such as home repairs. A member shared that one consumer loan program saw historic demand in the third quarter of 2024. Members reported that credit quality for these loans remains strong, attributing timely repayment of these loans, despite weakening consumer financial conditions, to customer acknowledgement of the need to remain eligible for future loans.

### **Deposits:**

Council members reported that district banks have stable deposit levels but continue to feel competitive pressure from brokerage houses and digital banks. Several members noted consumer demand for rates at 4 percent or more on deposits. Members continued to observe an interest in FDIC deposit insurance and demand for deposit placement services but noted that this demand appears less than the peak demand, post 2023. Members also expressed concern that stablecoins may become an additional source of deposit competition.

### **Feedback on the Discount Window:**

Council members provided feedback on discount window intraday credit operations and its use as a source of contingent liquidity. Members reported challenges in setting up an account at the discount window but acknowledged that ongoing day-to-day usage has become more efficient due to automation and improved processes. When asked about stigma, members cited concern from owners and directors, rather than customers, as the primary pain point. Members also emphasized that the Federal Reserve should continue to acknowledge use of the discount window as a part of normal bank operations and share that view with other bank regulators. Members reported that many banks have set up access to the discount window and tested draws, but most do not use it as a normal source of funding.

### **Fraud:**

Council members discussed instances of fraud that have affected their institutions in recent months. They reiterated the effectiveness of collaboration with other community banks when dealing with fraud but cited extreme difficulty when attempting to take that collaborative approach with larger banks. Check fraud, including check washing, and online banking were mentioned as two of the top fraud areas and members have seen recent increases in both. Members reported that banks must provide online banking services to be competitive but noted that online banking services further enable certain types of fraud. The discussion then shifted to scams. Members expressed frustration at the difficulty of educating depositors of scams and the risks of moving money to non-banks, especially cryptocurrency-related firms. Council members reported that many customers do not realize that it is often impossible to recover money lost to these scams, and that while third-party



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vendors can be used to detect frauds and scams, they are not always successful. For scams involving spoofed telephone numbers, members expressed concerned about the slow response from telecom companies to report that their services being used in illegal activities. The fraud discussion concluded with a debate on how to get large banks to respond to fraud and scam claims from community banks. Members shared some perspectives on possible solutions to this lack of inter-bank communication. Discussion ensued regarding a suggestion that the regulatory environment should shift to better incentivize large bank communication related to these matters. A further discussion ensued about whether a forum could be created where banks and regulators can share new and emerging fraud threats.

## Adjournment

The meeting was adjourned at 4:00 pm CT.