Community Depository Institutions Advisory Council

Federal Reserve Bank of Dallas

Meeting Minutes

September 30, 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:

Gabe Guerra, Kleberg Bank *(San Antonio Branch Director)*

Robert Hulsey, American National Bank of Texas

Gary Kelly, Southwest Airlines Co.

Joe Quiroga, Texas National Bank

Federal Reserve Bank Staff in Attendance:

Lorie Logan, Emily Greenwald, Mike Schetzel, Lorenzo Garza, Deborah Kilroe, Amy McGregor, Jamica Quillin, Tim Stearns, Paul Wheeler, Mark Wynne, Amy Chapel, Tiffany Erb, Julieta Ezeiza, Juan Marquez, Armida Riojas, Ben Munyan, Darius Williams, Kim Brown, Kristof Csaky, Seth Dunbar, JR Garcia, Julia Kheiv, Nikhil Sareen, Elizabeth Souder, Mariam Yousuf

Administrative:

Emily Greenwald, senior vice president, called the meeting to order at 8:00 AM, greeted members, and thanked the three departing members for their service. Lorie Logan, president and CEO, provided opening remarks.

Banking Conditions and Payments Updates:

Meeting Minutes

Ben Munyan, director, delivered a presentation on banking and economic conditions to the CDIAC ("the Council").

Seth Dunbar, senior risk specialist, provided an update on financial innovation.

Council members were asked to share their views on the following topics as part of the roundtable discussion:

Economic Conditions:

Regarding the labor market, Council members reported that immigration policies have made labor more expensive in multiple industries, including construction. Members also said that different bank customers in the construction industry are responding differently to labor and inflation shocks. Members noted layoffs in oil and gas and with government contractors but not in other commercial areas. Concerning prices, the Council shared that bank customers are adapting differently to tariffs, which have varied downstream impacts for businesses. Examples shared by members include customers that have large inventories of tariffed materials which are still running down, and others who reduced the material in their products to keep costs to their customers the same. However, other customers have either needed to source more expensive products and others, which do not have other sources for their products, have had to bear the tariff increase. Many customers are looking at ways to creatively manage their supply chains. Members worried that although the tariff impact has so far been marginal, factors slowing the effects of tariffs may begin to dissipate.

Real Estate Lending:

Some Council members reported minor weaknesses in commercial real estate loan portfolios, especially in specific sectors such as hotel and hospitality in metropolitan areas, but overall credit quality remains strong. Members characterized the decline in performance over previous quarters as slight.

Concerning residential real estate, members noted that the market conditions vary based on segment, with more expensive homes selling quickly but less expensive homes are sitting on the market for a longer period. This has led to price declines in several markets around the district. There was some concern amongst members about the slowing of sales at new developments and the extent of incentives that builders are using to make home-buying more attractive. Members saw a brief increase in demand for mortgage refinance after the recent reduction in rates by the FOMC, but this has tapered off. In addition, members noted that increases in property taxes and the cost of insurance have a larger, unsustainable impact on homeowners.

Small Business and Consumer Lending:

Members stated that small business lending is more resilient than expected, but businesses in rural areas continue to struggle. Additionally, the smallest businesses are the most impacted by the interest rate environment, but larger businesses are doing well, resulting in an increase in demand for Small Business Administration (SBA) lending. Members also said that staff reductions at the SBA have resulted in difficulties in getting assistance when deals fall through. It was also noted that policy changes requiring 100% of small business owners to be U.S. citizens or lawful permanent residents have not significantly affected banks' SBA lending activity so far.

On the consumer side, members are noticing higher delinquencies. Auto lending is especially an area of concern for multiple members. While some stated that lower car values since the pandemic have left some borrowers with little to no equity in their vehicles, others remarked that the balance of auto loans on their books have declined because the high level of new originations during the pandemic has returned to pre-pandemic levels.

Deposits:

Members said that customers appear less worried now about reciprocal deposits and being fully FDIC insured than they were in the aftermath of the failure of Silicon Valley Bank in March of 2023. Members noted that customers are now aggressively chasing accounts with the highest interest rates. Discussion ensued on potential policy options for deposit insurance reform.

Digital payments and Third-party service providers:

Council members reported that consumers are moving away from cash and check and towards digital payments. Members are less worried about lending becoming commoditized due to the importance of the relationship aspect of banking, but they suspect that the story is different with payments, especially with younger and commercial customers. According to Council members, core processors prefer master contracts with established digital service providers instead of working on bespoke solutions with community banks directly and do not work well with other fintech companies. Members continued by saying that banks and credit unions that have long-term contracts with core providers are, in many cases, unable to go through with mergers and acquisitions (M&A) activity because the cost to break contracts with these providers is prohibitive. Other members agreed that these core providers are slowing down M&A activity. In addition, members mentioned that their core processors were focused on implementing new innovations, such as tokenized deposits and stable coins, rather than improving their current offerings or working through their existing support backlog. Members also noted that the ease of use of digital payments systems makes it easier for customers to chase interest rates and move money between banks.

Fraud:

Council members emphasized continued problems with check fraud and the difficulties of getting small businesses and other customers to move away from using checks. Some mentioned that they considered only allowing account holders to cash checks. Members reiterated that working with large banks to recover funds was extremely difficult. Even though the trade associations have a list of contacts at these large banks, this list is outdated and incomplete. Members also noted that working with law enforcement was frustrating, as local and federal law enforcement only investigate very large instances of check fraud.

Adjournment

The meeting was adjourned at 11:00 am CT.