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## Bank Regulation Updates, Upcoming Events Discussed in New "ViewPoint"

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Let me start by thanking those of you who joined us for the 2016 Banking Outlook Conference! We received very positive feedback on the information provided and the quality of our speakers. For those who were unable to attend, this quarter's first Spotlight article, coming soon, provides an overview of the conference. Our second Spotlight article focuses on recent reminders regarding guidance on commercial real estate (CRE) concentrations and valuations, expanding upon themes which will be discussed in the next ViewPoint Live, coming in April. (You can find additional details about our upcoming events [here](#).) First, though, we review recent banking trends in our recurring [State of the District](#) section.

### State of the District

When compared with 2014 results, the state of the district in the fourth quarter of 2015 was stable, with a cautionary note. The median return on assets was 0.88 percent, a 5 basis point improvement over the fourth quarter of 2014. The share of unprofitable banks has fallen markedly since the recession, with only 11 percent of institutions remaining unprofitable in the fourth quarter, on par with the prior year. Although loan charge-offs increased slightly in the last two quarters of 2015, partly the result of energy exposure, the overall decline in problem loans has pushed the coverage ratio above 100 percent for the first time since the third quarter of 2007. Capital levels among Sixth District community banks remain healthy. However, uncertainty regarding the impact of interest rate changes on deposit behavior and rapid loan growth in commercial and industrial and construction and development lending in the fourth quarter warrant close attention.

### The Banking Outlook Conference

The [Banking Outlook Conference](#) featured presentations from economists, bankers, industry analysts, and regulators. Topics included the role of the chief risk officer, Basel III and CRE, recent accounting guidance, and the impact of technology on the banking business model. Dave Altig, director of research here at the Atlanta Fed, provided an [overview](#) of economic conditions. Additional details on information presented at the conference will be featured in an upcoming Spotlight article.

### Recent real estate guidance reminders

As noted, CRE lending accelerated last year. The rapid growth, coupled with reports of a decline in lending standards, prompted

the banking agencies to issue two reminders of existing supervisory guidance. First, on December 18, 2015, the three banking agencies issued a [statement](#) on prudent risk management practices for CRE lending, including reminders on guidance on concentrations. Then, on March 4, 2016, in response to questions raised during outreach meetings in 2015, the agencies issued an [advisory](#) clarifying expectations on the use of property valuations. Our second article includes a review of recent supervisory guidance and trends in CRE.

## Regulatory update

Although action on the regulatory front has been relatively quiet compared with the pace of the Dodd-Frank rule-making period, several proposals to strengthen the ability of large institutions to withstand financial stress and resolve themselves without costs to taxpayers are under consideration, including single-party credit exposure limits, countercyclical capital buffers, a long-term debt requirement, total loss absorbency capacity requirements, and other measures. More to come.

## Upcoming events

The fourth ViewPoint Live is scheduled for Tuesday, April 5, from 2–2:30 p.m. Brian Bailey, senior financial policy analyst, will join me. After a brief overview of banking conditions, Brian will share his views on the CRE market and recent supervisory guidance. The audience will be able to submit live questions via email. I encourage you to [register](#) to attend.

Also, don't forget to check back here to read the two Spotlight articles to be published in the coming weeks.

As always, I welcome your comments or questions. Please share your feedback with me at [ViewPoint@atl.frb.org](mailto:ViewPoint@atl.frb.org).



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