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

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Time flies—2017 is right around the corner! Speaking of time, this edition of *Economy Matters'* "ViewPoint" will feature a timeline depicting "The History of the Economy, Regulations, and Data, from 1782 to the Present." Also included in this edition will be an examination of sound risk management and commercial real estate (CRE) concentrations, a review of the impact of technological innovations on CRE, a look at residential real estate affordability, and a related article on the "tiny house" phenomenon. First, we review recent banking trends in the [State of the District](#).

State of the District

In the second quarter, earnings in the District continued to improve. In fact, 43 percent of banks had returns on average assets over 1 percent, the highest level since 2007. Even better, less than 5 percent of banks had negative earnings, the lowest level in 11 years! Increases in noninterest income and decreases in noninterest expense and provisions contributed to the improvement. Capital remains strong and liquidity is stable; noncore funding dependence remains low. Although aggregate loan growth in the District was flat compared to the previous period and down 200 basis points year over year, growth continued in construction and development, CRE and residential mortgage lending. Asset-quality trends across the District remain strong; however, delinquencies in consumer portfolios and deteriorating financials for CRE borrowers continued to increase in energy-dependent markets, particularly in Louisiana. Additionally, although commercial bankruptcies continue to rise in energy markets, filings have also picked up in north Georgia and the Florida Panhandle, which may have negative implications for commercial and industrial (C&I) loan quality down the road. As always, we continue to keep a watchful eye on trends in the industry, particularly in CRE and C&I lending.

The history of the economy, regulations, and data

Many studies have reviewed the supervisory and regulatory response to the most recent financial crisis—Dodd-Frank—and implications for the economy and the industry. In this article, the author takes a much longer view and examines the history of the economy, regulations, and data using a timeline from 1782 until the present day.

Sound risk management and CRE concentrations

Last December, the agencies issued a reminder on supervisory expectations for banks with CRE concentrations. This article

takes a deeper look at supervisory guidance on CRE risk management practices, including the factors that banks should consider when adopting CRE growth strategies.

Market disruptors: Innovations rocking CRE

In the same way that Uber has shocked the taxi industry and fintech developments have pushed banks toward "out of the box" products and services, technological innovations are rocking the CRE sector. The author reviews various CRE market "disruptors," how they have already permeated the industry, and the potential effects to come.

Residential real estate affordability

Market data on the increase in residential real estate activity since the crisis reveal that the preponderance of development has been in more upscale homes, not in the starter home segment. As a result, affordable housing for first time buyers is limited. Our expert reviews the implications for the market.

Living small: Challenges, costs, and financing a tiny house

As costs continue to rise and people scramble to find more affordable housing, tiny houses are becoming a new national infatuation. This article looks at the tiny house phenomenon.

Regulatory update: Proposed changes to capital stress testing

On September 26, the Board invited public comment on a [proposal](#) to modify its capital plan and stress testing rules. Among other changes, the amendments would eliminate the qualitative portion of Comprehensive Capital Analysis and Review (CCAR) for most firms with less than \$250 billion in assets, which would include reducing some record keeping and reporting requirements. As proposed, these changes would be effective for the 2017 CCAR cycle. Comments will be accepted through November 25. Additional information on the proposal and other changes under consideration is available on the Board's [website](#).

Upcoming events

The next ViewPoint Live is scheduled for Wednesday, November 16. After a brief review of conditions in the District, we will take a look at the impact of technological innovations on the CRE market, expanding on one of our featured articles. Feel free to submit questions in advance via an email sent to ViewPoint@atl.frb.org. Questions will also be accepted during the webcast. I encourage you to join me for this discussion. Check back for details on registration.

Mark your calendars for our annual Banking Outlook Conference, which will be held on February 23. The theme is "Looking Back and Shifting Forward" and will include reflections by Atlanta Fed President Dennis Lockhart as he prepares for retirement.

Remember to check back here to read the articles that are scheduled to be published later this quarter.

As always, I welcome your comments or questions. Please share your feedback with me at ViewPoint@atl.frb.org.



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