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### The Economy and the Banking Industry in Arizona

- I. There's no doubt the banking industry in this country faces formidable challenges in the 1990s.
  - A. Meeting some of these challenges will require thorough legal and regulatory reform. Meeting others will involve the more mundane, but immediate task of improving asset quality and strengthening the bottom line.
  - B. Regarding these latter challenges, the current list of concerns is well-known:
    1. Highly-leveraged transactions gone sour.
    2. LDC borrowers with new repayments difficulties.
    3. Rising credit card defaults, and so on.
    4. But at the top of the list these days is problem real estate loans.
  - C. And Arizona, in particular, has had more than its share of such problems.
    1. In fact, one frequently-voiced concern is that, like New England and Texas, Arizona's real estate and banking troubles are going to dim the state's prospects for a long time to come.
  - D. What I plan to do today is take a closer look at the condition of the Arizona economy and its banking industry.
  - E. I'll compare the way events have unfolded here with what has happened in New England and Texas.
  - F. Such a comparison provides a useful perspective. Indeed, I find it encouraging.
  - G. It also may offer a valuable lesson for bank regulatory reform -- a topic that I want to turn to briefly before I close.
- II. Turning first to the Arizona economy,
  - A. It's clear that the state's problems in recent years have been primarily real-estate and construction-related.
    1. Property values have fallen, and the value of undeveloped land, in particular, has taken a beating.