

Record of Meeting
Community Depository Institutions Advisory Council
and the Board of Governors
November 13, 2025

1. Economic Discussion:

a. *Overall Economic Conditions:* *How do Council members assess overall economic conditions in their regions?*

Council members generally view economic conditions in their regions as stable but showing signs of strain, with notable differences across geographies and income levels. Inflationary pressures persist, driven by rising costs for healthcare, insurance, energy, and property taxes—and further exacerbated by tariffs and supply chain issues. Labor market conditions are mixed: skilled trades and healthcare positions remain hard to fill, sustaining wage pressures, while entry-level hiring has stabilized and overall wage growth is slowing. Council members generally described the economy as resilient yet fragile, shaped by uneven growth, persistent cost pressures, and a widening divide between those who can absorb higher prices and those who cannot.

b. *Particular Indicators:*

i. *Inflation:* *Are the prices of products and services rising (or declining) more or less quickly than in the recent past? Are the prices for the products and services Council members purchase rising more or less quickly?*

Inflation persists, driven by a combination of tariffs, rising input costs, and increases in healthcare, insurance, and property taxes.

Tariffs have added price pressures, but their impact has not been as high as expected—with some regional variations. Most Districts reported seeing moderate effects from tariffs. There was some divergence as the Eleventh District reported that small retail shops in rural communities were unable to absorb or pass on tariff costs to customers and are closing as a result. The Seventh District cited pre-negotiated cost-sharing agreements for increased tariff levels, which have helped maintain stable conditions. A related concern was that domestic manufacturers and producers may implement opportunistic price increases due to reduced foreign competition.

There was broad consensus that businesses that have been absorbing the impact of tariffs will soon be forced to pass more costs on to end customers. Many businesses appear to be at a tipping point where previously absorbed inflationary pressures arising from health insurance and tariffs must now be passed on to consumers, with some firms expecting full pass-through within the next 90 days.

Council members noted that prices for products and services continue to rise, though the pace varies by category and region. Low- to moderate-income (LMI) consumers and rural consumers

are being disproportionately affected. In addition, businesses are struggling to source equipment parts and are absorbing higher costs.

Inflationary pressures remain persistent, particularly in healthcare and insurance, where costs have surged 20–25 percent in some areas. Property taxes and energy costs are also rising, adding to overall household expense burdens. Increasing homeowners' insurance premiums, combined with higher property taxes, are exacerbating home affordability challenges. Council members reported increased instances of negative escrows as taxes and insurance costs have risen quickly, and they commented that escrow payments will be reset at year-end—resulting in significant sticker shock for many homeowners.

Although the initial expectation was that tariffs would cause only a one-time increase in prices, Council members are now observing that the cumulative effect of tariffs combined with other factors has caused inflation rates to remain elevated. A key consequence is that consumers have become conditioned to routine increases in grocery prices.

- ii. *Housing: How have home prices changed in recent months? Have there been any changes in overall housing activity in Council members' Districts?*

Council members reported that home prices have generally stabilized but remain elevated compared to pre-pandemic levels, despite some regional variations. A divergence was noted in high-end housing prices across Districts. Specifically, the Sixth and Eleventh Districts are seeing high-end prices cooling from elevated levels, while the First District reported prices holding but houses staying on the market longer. The Third and Ninth Districts reported that a significant number of high-end home purchases continue to be cash deals. Conversely, lower-priced homes continue to sell and increase in price as inventory is low. Demand is particularly high for lower-priced homes, with the Eighth District noting that properties under \$350,000 are often selling 10–15 percent above asking price due to limited inventory. Across the country, first-time buyers face increasing pressure, as limited supply and elevated costs make entry into the market progressively more difficult.

Although overall inventory has slightly improved in the Second and Eighth Districts, affordability challenges persist, leading to an increase in multigenerational households. Despite the need for affordable housing, the First District noted that environmental and regulatory costs are discouraging the construction of affordable homes, consequently pushing builders to focus on high-end projects.

The condominium market is struggling nationally, with conditions especially strained in Florida. Much of this pressure stems from regulatory changes implemented after the Miami-area condo collapse a few years ago. Consequently, some areas—such as Orlando—have seen condo values fall by as much as 25 percent.

The multifamily housing market is generally in equilibrium, and construction continues where affordable housing is needed. In the Eleventh District, cities such as Austin have finally seen

absorption after years of oversupply. However, the multifamily segment in the Eighth District was lagging, as occupancy levels there have been trending downward.

Rising insurance premiums and escrow recalibrations are compounding affordability issues, leading to significant payment shocks for homeowners. For example, the Eighth District expects insurance costs to increase by 10 to 20 percent. From a lending perspective, Council members anticipate that these cost pressures will cause a spike in past-due mortgage payments.

- iii. *Labor Markets: How have the labor markets in which Council members operate changed in recent months? In particular, please assess the degree of job loss or gain (and, in which industries). Please comment on the changes to wages that Council members have observed over the past year.*

Labor markets show mixed signals. Across Districts, employers reported a combination of stabilization and structural strain, reflecting a transition rather than a downturn. While the availability of white-collar workers has improved and wage pressure has eased in many sectors, shortages persist in skilled trades and healthcare. This divergence highlights a bifurcated labor market: professional hiring is normalizing while essential and technical occupations remain under acute pressure.

Districts with data center construction noted that while data centers add jobs post completion, the real job boom stems from the construction of these structures. The construction boom tied to data center development is driving up wages for specialized labor, with some workers being offered wages by large data center companies that are twice their previous hourly wages. For example, in the Ninth District, a large number of skilled electricians have been hired by data center contractors, causing a dire shortage of electricians for all other construction projects. However, any wage gains are concentrated in short-term project labor rather than permanent positions, underscoring how investment-led employment can distort local labor supply and wage structures.

While hiring has stabilized overall, recent graduates—particularly those in information technology—are finding it more difficult to secure positions. In contrast, the Twelfth District reported that graduates with AI expertise are commanding higher wages as demand for the expertise grows. This divergence highlights a widening gap between general technical education and the specialized skills increasingly required in emerging technologies, where AI proficiency sets candidates apart. The Second District noted that some bank mergers and acquisitions are contributing to workforce dislocation, with staff reductions of 20–30 percent common in merger models. These consolidation effects are dampening white-collar job growth even as other sectors continue to expand.

Rural areas in several Districts continue to struggle with labor shortages, forcing employers to offer significant wage increases or risk losing skilled labor to large corporations. This rural wage inflation reflects both demographic decline and limited labor mobility, particularly in sectors dependent on in-person work. In addition, a few Districts noted that elevated childcare costs are preventing some workers from participating in the labor force.

Altogether, these developments depict a labor market that is stable overall but increasingly segmented—characterized by localized tightness, evolving skill demands, and factors that deter some individuals from entering or reentering the workforce despite available jobs. Council members view many of these changes as structural and see signs that ongoing adjustments and evolving demand-supply dynamics will continue to shape labor market conditions.

- iv. *Consumer Confidence: Are Council members seeing any signs of improved (or declining) consumer confidence? What is the outlook for consumer credit losses?*

There is broad agreement among Council members that consumer confidence appears muted. Households have largely adjusted to higher prices, but signs of inflation-related stress are evident among low-income consumers, who initially expressed frustration about rising costs but, after years of sustained elevated inflation, have begun to accept them as the new normal. LMI households are also increasingly relying on debt to cover essential expenses.

At the lower end of the income spectrum, spending patterns reflect caution rather than optimism, whereas higher-income consumers continue to absorb elevated prices with fewer adjustments. Across Districts, rising inflation expectations and broad consumer caution point to persistently subdued confidence.

- 2. Current Banking Conditions:** *What is the Council's view of the current condition of, and the outlook for, loan markets and financial markets in general? Please describe any significant changes in the creditworthiness of applicants for loans, loan demand, underwriting, and lending standards in general.*

The Council noted that lending conditions vary by category and region, but overall demand remains steady, with some pockets of emerging stress. Community banks are finding opportunities as larger institutions re-enter commercial real estate (CRE) lending and scale back in other areas, though liquidity constraints and tight underwriting continue to limit deal flow. Mortgage activity remains subdued despite recent rate declines, with only modest increases in refinancing and home equity line of credit (HELOC) volume. Consumer credit quality is deteriorating—particularly in auto lending, where rising delinquencies are weighing on loan performance. Small business lending remains generally healthy, though the Small Business Administration (SBA) shutdown has created a buildup of pent-up demand. Mergers and acquisitions (M&A) activity is gaining momentum, driven by quicker regulatory approvals and an increase in motivated sellers.

- a. ***Small Business Lending:*** *Has credit availability for, and demand for credit from, small businesses changed significantly? Have lending standards for these borrowers changed? Do Council members see evidence that prevailing economic uncertainty is slowing economic activity in this sector?*

Small business lending remains generally healthy, with stable demand and positive sentiment, though some projects are being scaled back due to tighter cash flow and higher cost pressures.

The SBA's closure during the recent federal government shutdown has stalled loan processing, constraining lending activity and creating pent-up demand that is expected to normalize once operations resume. Processing times for preferred lenders will remain unchanged, but other lenders will continue to face delays.

Lending standards are largely unchanged. While there might be some loosening at the margin, bankers are generally exercising caution and, in some isolated cases, are even imposing tougher underwriting and asking borrowers to scale back projects.

Economic activity is showing mixed signals: retail spending is pulling back, reflecting a K-shaped recovery across income groups. Despite economic headwinds, Council members noted that small businesses are not engaging in widespread layoffs. They believe many firms are willing to absorb an earnings hit rather than lose skilled staff, since doing so could hinder their ability to take on future projects.

Council members shared that fraud concerns remain elevated, with fraudsters using PPP data to spoof small businesses.

Credit quality is showing early signs of deterioration, mirroring the higher delinquency rates seen in the auto market. To the extent that small businesses are relying on home equity lines of credit, lenders are closely monitoring usage. Council members noted that while reliance on merchant cash advances and private equity lending may help sustain performance in the short term, it poses significant long-term risks. The Fifth District noted that buy now, pay later (BNPL) loans are not reported on credit reports, which could mask additional weakness.

*b. **Commercial Real Estate Lending:** Have there been any changes in the Council's view of challenges in the commercial real estate market since the Council's last meeting in April 2025? How are commercial real estate loans performing compared to the Council's expectations?*

Council members reported cautious optimism in CRE lending, as larger banks and regional institutions re-enter the space after prior pullbacks, aided by recent regulatory reforms, though underwriting standards remain tight. Several Districts noted challenges with projects at various stages of construction and are having to right-size deals by cash calling or requesting additional collateral. Rising insurance and tax costs are straining project metrics, forcing some deals to be restructured or abandoned.

The hotel and motel sector continues to struggle, and urban office markets face high vacancy rates—around 30 percent in some areas—making appraisals difficult. In contrast, rural markets report stable activity. Owner-occupied CRE is performing well overall, though demand has softened as businesses adopt a “wait and see” approach. Lenders emphasize strong equity

positions and relationship-based exceptions, reflecting a market environment defined by caution and selective engagement. They remain willing to extend credit to existing customers with strong risk profiles but often refrain from taking on new clients, including new entrants.

- c. ***Construction Lending:*** *What are Council members' perspectives on the availability of credit for construction and development projects? Have Council members seen any changes in the demand for construction loans since the Council's April 2025 meeting?*

Construction lending faces significant headwinds amid elevated costs and tight credit conditions. Costs have surged—up roughly 16 percent in some markets since last year—and an estimated 80 percent of projects are running over budget.

Labor shortages and rising material costs continue to extend timelines and increase project risk. Demand for new construction is softening amid uncertainty and high financing costs. Retrofitting projects, such as office-to-housing conversions, remain active in select markets.

The 50-basis-point reduction in interest rates this year is viewed as insufficient to revive residential construction, with some Districts noting that a reduction of roughly 150 basis points would likely be needed to meaningfully stimulate new development.

- d. ***Home Mortgage Lending:*** *What changes have Council members seen in the mortgage market? How, if at all, is regulation impacting the participation of community depository institutions in this market?*

Council members reported mixed conditions in the mortgage market across Districts. Overall, home purchase activity remained soft despite recent rate declines, and most Districts noted that meaningful refinancing will require the 30-year mortgage rate to fall and remain below 6 percent. Refinancing and HELOC activity have increased modestly, particularly in the First, Fourth, and Seventh Districts, while inventory constraints continue to dampen purchase activity in several areas. The Eighth District observed a notable uptick in purchases over the past six weeks, driven by slightly lower rates and improved inventory, as homeowners tired of waiting have begun listing properties. Conversely, other Districts—such as the Fourth, Seventh, and Twelfth—reported stable or a slight slowdown in trends, with only modest inventory improvements and continued consumer hesitation. In the Fourth District, however, the prior trend of people leaving the area has reversed.

Regulatory developments are emerging as a concern, with California and New Jersey proposing requirements for credit unions that are similar to those found in the Community Reinvestment Act—changes that could slow mortgage lending and increase compliance costs. Portfolio performance is showing early signs of stress: the Eleventh District reported rising delinquencies and negative escrow balances, with some borrowers using HELOCs to finance new home

purchases while leasing their previous homes. The Eighth District flagged growing past-due ratios and legal delays in foreclosure processes, while the Ninth and Tenth Districts reported delinquencies ticking up toward pre-pandemic levels. Additionally, the Seventh District is monitoring credit score deterioration, partly tied to student loan delinquencies. Overall, while some regions are seeing modest improvement in purchase activity, the broader mortgage market remains subdued, with regulatory headwinds and increasing credit risks adding pressure.

*e. **Consumer Lending:** What changes have Council members seen in consumer lending? Please comment specifically on credit card and auto.*

Across the Districts, there is broad agreement that consumer credit quality is deteriorating, particularly in auto lending. The Twelfth District noted that while charge-offs and delinquencies are rising, the trend is not yet alarming. The Eleventh District also reported higher delinquencies and indicated that, despite an uptick in auto loan requests, lenders are pulling back from the market. In contrast, the First District highlighted increasing demand for auto loans and even for luxury items such as helicopters.

The Fifth District observed a decline in new car loans and an increased demand for used vehicles, though elevated prices continue to strain LMI borrowers. Some borrowers are refinancing their auto purchases through HELOCs, but this solution tends to provide only short-term relief, as their loan balances often rise again later.

The Seventh District noted the use of longer amortization periods and higher advance rates, reflecting affordability challenges. The Ninth District reported financial institutions losing business to dealers offering 96-month loan terms.

The Tenth District described auto portfolios as facing the most stress with cracks emerging after years of inflation-driven spending supported by BNPL loans and credit cards. The Eighth District cited a 37 percent decline in new auto originations and an 83 percent drop in indirect lending as activity continues to shift outside the banking sector. The Sixth District cautioned that BNPL use—roughly 15 percent of one institution’s customer base—and job losses among LMI households may be masking true delinquency trends.

The Second District added that consumer lifestyles are outpacing income growth. Overall, Council members believe that LMI households have been increasing their leverage—for instance, relying on credit cards for daily expenses—and that the confluence of these factors is now contributing to growing systemic stress.

*f. **Agricultural Lending:** Have there been any changes in agricultural lending?*

Agricultural lending remains under significant strain, particularly for row-crop farmers, who are contending with low commodity prices and a supply that far exceeds demand. While vegetable

production was strong earlier in the year, it is now facing headwinds from declining demand for high-priced organic produce. Many western states continue to struggle with oversupply, water shortages, adverse weather, and rising labor costs.

Financial stress is evident across agricultural portfolios, marked by weakening cash flows, downgrades in risk ratings, and growing debt burdens. Higher input costs and uncertainty around disaster payments and subsidies—exacerbated by missed deadlines during the government shutdown—are adding further pressure. Large-scale producers are generally surviving and, in some cases, still profiting, but smaller operations are disappearing, leaving little opportunity for new or beginning farmers. Some farmers are turning to solar installations to create a stable income stream.

Despite these challenges, land values remain strong, and livestock markets have performed relatively well. However, cattle ranchers remain anxious about price volatility and are increasingly relying on government-backed livestock risk protection to hedge their price risk, even at the expense of upside potential. Poultry is another bright spot, with strong contract performance and continued growth in chicken house construction.

- g. ***Deposits:*** *What changes have Council members seen in local deposit markets? Describe these changes by segment (retail, small business, and corporate). What are Council members' expectations with respect to deposit levels?*

Deposits remain generally stable and competitive across the country, with some regional variations. Many Council members continue to face challenges in retaining deposits as customers seek higher yields. While competition for deposits has eased somewhat compared with earlier periods, it remains a factor. Overall, deposit balances have stabilized or increased slightly. One notable exception was seen in the Fourth District, where deposits rose as larger customers shifted assets away from brokerage firms, partly due to market volatility.

Big corporate depositors remain rate-sensitive, while retail and small business rate sensitivity has begun to ease in many Districts. The First District noted some challenges in retaining deposits, as customers continue to seek higher short-term CD rates, particularly six-month specials, which remain the most attractive option for rate-sensitive customers. However, the Sixth and Seventh Districts noted that competition for these specials is beginning to wane.

Many Council members observed a trend in which deposits are flowing to large municipalities, which then invest those funds out of state or internationally rather than reinvesting them in local communities. State programs often provide a premium on these deposits, making it difficult for banks to reclaim funds that were originally meant to support access to local banking services.

Council members discussed support for renewed deposit insurance initiatives, such as the Transaction Account Guarantee Program, to help reduce deposit volatility. Others noted a shift away from the post-2023 trend of customers favoring larger banks, toward more typical deposit flows.

*h. **Mergers and Acquisitions Activity:** What trends are Council members observing with respect to mergers and acquisitions, including potential opportunities and challenges, among depository institutions and their holding companies?*

Council members reported that M&A activity is picking up across several Districts, signaling a thaw after a slow period. The Sixth District noted pent-up demand from sellers eager to exit while conditions remain favorable, though smaller banks are facing limited buyer interest. The Second District highlighted succession planning as a key driver, with aging CEOs seeking to cash out and at least a dozen deals currently underway in the Northeast.

Regulatory approvals are now taking less time, reducing potential costs from delays that can derail or complicate deals. Additionally, operational challenges in executing core system conversions have impeded some transactions. To speed processing times for small, less complex rural bank deals, Council members proposed allowing the Department of Justice antitrust review to be fully concurrent with the banking agency review.

Credit unions continue to be active buyers, especially for rural community banks, which often view credit unions as an exit option. Council members noted several state-level proposals aiming to restrict credit union acquisition of banks, which could affect this trend.

Larger bank deals are now moving forward, creating opportunities for smaller banks to acquire branches and deposits. Council members also shared that M&A activity among midsize and regional banks is providing community banks with opportunities to capture talent and attract customers for deposits and loans from merged institutions. When a merged bank is required to divest certain branches, community banks are often ready to step in and buy them.

Buyers are targeting deposit-rich institutions, often paying premiums of 6–7 percent above typical levels. Regulatory hurdles for new charters remain steep, with capital requirements limiting expansion opportunities. While optimism is growing and strategic opportunities are prevalent, mergers are impacting the overall labor market. Notable deals, such as the Comerica/Fifth Third merger, illustrate this impact. The Seventh District noted that during a merger and acquisition, it is common to have staff reductions of 20–30 percent, leading to workforce dislocation and the redeployment of employees into new roles or functions.

3. Impact of the Genius Act on Community Banks: *What is the expected impact of the Genius Act on community banks? What issues are the highest priority? What considerations should the Federal Reserve and other regulators take into account as they work on implementation of the Genius Act? What steps should regulators take to avoid creating, or exacerbating, an unlevel regulatory playing field? To what extent are community banks receiving customer interest in payments stablecoins?*

Council members shared that community banks have shown cautious interest in the GENIUS Act and stablecoins. Ultimately, the impact on community banks will depend largely on whether stablecoins function primarily as a means of payment or evolve into a store of value. As a

payment tool, stablecoins are generally viewed as a potential opportunity rather than an existential threat, though Council members acknowledged that their interchange revenues could be affected. If, however, stablecoins become a store of value, erosion of core deposits could impair liquidity, reduce lending capacity, and increase borrowing costs for customers, with severe negative consequences for the households, businesses, and communities that community banks serve.

Council members also voiced concerns about non-financial actors entering the market, which could lead to disintermediation, concentration risk, and competitive asymmetries. Members discussed the potential for regulatory arbitrage across multiple areas, including inconsistencies in regulation, examination, and supervision between state and federal qualified stablecoin issuers, as well as differences in Anti-Money Laundering/ Combating the Financing of Terrorism compliance, consumer protection standards, and access to Federal Reserve payment infrastructure. In all circumstances, Council members emphasized the importance that the Board apply a “same activity, same risk, same rules” approach to maintain competitive parity. Ultimately, regulatory controls must prevent systemic risk while enabling innovation, and new access to the broader financial system under the GENIUS Act should come with commensurate responsibilities.

While many community banks are interested in working with the crypto communities, there is little, if any, customer interest in payment stablecoins.

Council members recommended that banking agencies use their regulatory authority to prevent payment stablecoins from functioning as a store of value by preventing stablecoin holders do not earn any return, interest, yield, or rewards.

Council members are following the messaging from the Federal Reserve on “skinny” master accounts, which are presumably designed to provide payment stablecoin providers with access to central bank money for settlement. Given the unclear economics for banks—particularly community banks—offering stablecoins, a preferred approach would be for banks to tokenize their deposits and leverage any efficiencies offered by on-chain transactions. For this to succeed, Council members recommend that the Board work with the banking industry to develop tokenized deposit structures that enable banks to compete with on-chain alternatives such as stablecoins. This effort should address the distributed ledger platform, tokenization standards and protocols, interoperability, and liquidity considerations, including ensuring interbank settlement occurs in central bank money and providing guidance on 24/7 liquidity management under new payment rails.

4. Examination Practices: *What has been the experience of Council members in recent examinations? Have you seen examination practices impact the flow of credit? How can supervisors improve their communications (both formal and informal) with supervised institutions?*

Overall, Council members reported a positive-to-neutral examination experience across Districts and banking agencies, with one notable concern.

Council members expressed concern about the retirement of senior examiners and the resulting influx of inexperienced and junior examiners. According to Council members, the lack of experienced and knowledgeable examiners has contributed to errors and inaccurate exam conclusions, which require significant banker time to resolve and correct. One Council member observed that examiners seem to be reading out of the exam manual and listing all best practices rather than identifying material concerns or considering the context of a bank's business model and operations. Another Council member noted that this approach renders exams prescriptive and a one-size-fits-all exercise, which runs counter to efforts by the agencies to tailor and streamline supervision of community banks. An example cited by one Council member involved an agricultural bank in which examiners had no prior experience examining agricultural lending. Council members also expressed concern that inexperienced examiners could inadvertently constrain the flow of credit to credit-worthy borrowers.

Council members noted that the "gotchas" appear to have subsided and expressed support for hybrid exams. On the other hand, they also observed that exam timelines, particularly on the compliance side, seem longer than necessary.

5. Regulatory and Payments Matters: *How are recent changes in the regulatory and payments landscape affecting the ability of community depository institutions to innovate as well as continue providing services to their customers?*

Council members are reacting positively to the communications and actions from the regulatory agencies aimed at reversing the burdens of counterproductive regulations that disrupt customer and community services and fail to balance costs and benefits. They are awaiting further action from the agencies to implement the relevant changes. For example, Council members noted the intent among the agencies to revise the process for setting regulatory thresholds, noting that considerable disparities currently exist among different regulations. These inconsistencies directly affect community depository institutions. Council members recommended that the agencies coordinate efforts to adjust and optimize threshold levels and ensure a consistent approach.

Council members questioned the rationale for the conventional \$10 billion threshold used to define a community bank. They suggested that in addition to indexing this threshold, a more risk-based approach should be considered, taking into account the bank's business model.

Relatedly, Council members discussed the recent Federal Deposit Insurance Corporation (FDIC) announcement updating its Consumer Compliance Examination Manual, under which agency consumer compliance examinations and Community Reinvestment Act evaluations will occur less frequently for most institutions. However, it remains unclear if or when the Office of the Comptroller of the Currency and the Federal Reserve will follow the FDIC's lead. Council members noted that this uncertainty reflects their concerns regarding the potential lack of coordination among the agencies on matters impacting the broader banking industry.

While Council members expect that efforts to reduce regulatory burdens will improve their ability to serve their customers and communities, they expressed concerns about the pendulum swinging in the opposite direction with changes in the election cycle. This regulatory uncertainty imposes a financial burden on banks, which must devote significant resources to comply with new regulations from one administration, only to see them reversed by the next. Council members are concerned that any potential cost savings from proposed changes could be negated by subsequent agency decisions.

Some Council members shared District-level discussions on deposit insurance modernization and reform, expressing interest in ensuring that changes are explored and implemented during stable periods rather than in the midst of a crisis.

Council members also expressed concern about the weakening of regulatory oversight over non-bank lenders. They noted that many state banking regulators may lack the capacity to conduct robust oversight of these institutions. Council members are particularly concerned about these agencies taking on additional responsibilities for overseeing payment stablecoin issuers, as outlined under the GENIUS Act.

On payments, Council members shared that their commercial customers are expressing interest in access to the Zelle payment network. District-level discussions covered the development of FedNow; however, Council members remain constrained in their adoption of this new facility due to limitations imposed by their core providers. While core provider costs are a factor, Council members are also taking into consideration the additional staffing costs required to manage payment flows over faster payment rails such as FedNow.

Referring to the earlier discussion on payment stablecoins, Council members noted that the industry might be witnessing a potential shakeout across the various payment rails—FedNow, The Clearing House real-time payments platform, Fedwire, payment stablecoins, and tokenized deposits. With the growth of AI, community depository institutions could face significant resource constraints, making it challenging to invest in multiple emerging technologies while remaining competitive with larger financial institutions.

6. Additional Matters: *Do Council members wish to present any other matters affecting community depository institutions that have emerged from meetings of the Reserve Banks' advisory councils?*

None.