From the Dallas Business Journal:
https://www.bizjournals.com/dallas/news/2023/03/22/dfw-bankers-federal-reserve-interest-rate-hikes.html

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# Here's what DFW bankers are saying as Fed considers another rate hike

*Mar 22, 2023, 8:26am CDT*

Gabriella Demczuk/The New York Times

The Federal Reserve, led by Chairman Jerome Powell, faces a tough balancing act in fighting inflation while also ensuring stability of the financial system.

All eyes are on the Federal Reserve as the central bank considers whether to hike interest rates again to quell inflation.

The Federal Open Market Committee, which sets monetary policy, will decide its next steps during a two-day meeting that concludes this afternoon.The latest meeting comes as the financial industry continues to deal with the fallout of the failures of Silicon Valley Bank and Signature Bank less than two weeks ago.

Last year, the Fed raised interest rates seven times as inflation reached its highest point since the 1980s. Central bank officials face a tough decision whether to raise interest rates again or take a pause amid the turmoil in the banking sector. In February, the

FOMC approved another increase of 25 basis points to take rates to a target range of 4.5% to 4.75%, the highest since October 2007.

The Fed has scaled back the size of the increases, but officials have not indicated when hikes will end as they seek to bring inflation back down to a 2% target. Dallas Fed President Lorie Logan, who serves on the FOMC, said last month rate hikes may have to continue for longer than most bankers and economists originally expected.

Now, the Fed has to balance its fight against inflation with ensuring stability of the financial system. Experts have split opinions about what the Fed will and should do. Goldman Sachs (NYSE: GS) predicts the Fed could skip a hike this month while other financial giants, including Bank of America and Citigroup predict a quarter-point hike.

The Dallas Business Journal asked DFW bank executives if they have concerns about the Fed's ability to manage a tough balancing act. Here's what they said.

**Jerry Schaffner, CEO, PlainsCapital Bank:** The Fed is very capable of balancing and navigating the fight against inflation while supporting stability in the banking system. The Fed has been very transparent about their decisions and concerns. We anticipate their decisions will continue to be data driven and in the best interest of the country.

**David Brooks, CEO, Independent Financial:** The Fed's dual mandate is explicitly centered on low inflation and full employment, but maintaining financial stability is an implicit prerequisite for achieving both of those goals. Fortunately, the Fed is better equipped than ever to fight inflation while maintaining financial stability adequately. Between the Fed's rate levers, balance sheet strategies, and standing facilities, there is ample room to restore price stability and maintain financial stability.

**Malcolm Holland, CEO, Veritex Community Bank:** The biggest risk and a valid concern when it comes to the Fed is that they do not unilaterally insure all deposits. Doing so would have a calming effect across the industry. While Veritex understands the need to balance the fight against inflation, we also know that we are fortunate to be in Texas where business is strong. Veritex Community Bank is fortunate that we have a very diversified customer base. Our customers are the businesses and people who make up the communities in which we live and work.

**Bill Adams, chief economist, Comerica Bank:** The Fed's top priority is still controlling inflation, but they are starting to more deliberately limit the effects of their policies on the financial system. The Fed has a wide range of tools beyond interest rates that they can use to support the financial system at the same time that they keep interest rates high to cool the broader economy and bring inflation back under control.

**Drew Keith, president, Texas Security Bank:** I fear the Fed may not have the patience to allow the actions it has taken over the past year to realize full effect. Interest rates have risen dramatically and very rapidly, but not enough impact has been felt by enough businesses yet to measure the true effect across the broader economy. There needs to be enough time for loans to reprice at the higher rates for the true effect to be realized, and that will take another year or so. Plus, the Fed's tightening of the money supply through shrinking its balance sheet is also a powerful but imprecise tool. Being ready to ease off the pressure quickly will have the most impact on the stability of the banking system through a "softer landing" of the economy and avoiding a deep recession.

**Rob Holmes, CEO, Texas Capital Bank:** I fully expect the Fed to continue with its goal and mandate to control inflation. Inflation is the largest progressive tax on the American working class and it will need to be dealt with.

**Holden Wilen**
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