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# Commercial Lending School

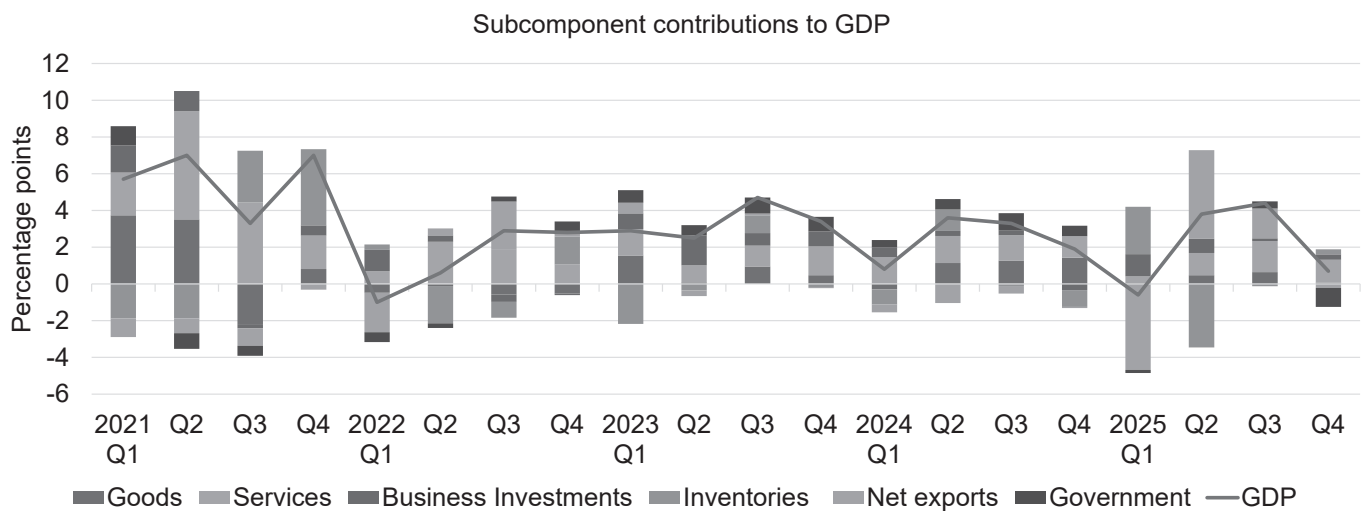
## Banking, the Economy & Credit Outlook (ACL/FCL)

*April 19, 2026*

Dan Brown  
Office of the Chief Economist (OCE)  
[dbrown@aba.com](mailto:dbrown@aba.com)

# GDP

## Government Shutdown weighs on Q4 GDP 2026Q1 Forecast GDPNow: 2.7% As of March 13, 2025

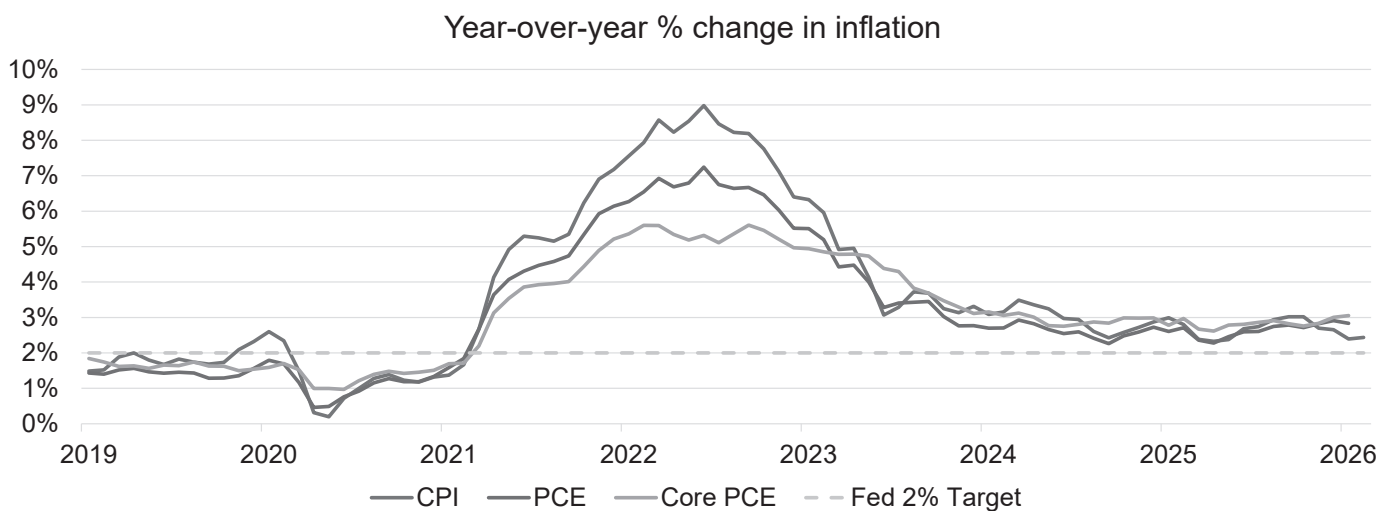


# Inflation

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## Inflation Continues to be Above Trend Leading Indicators Don't Signal Relief

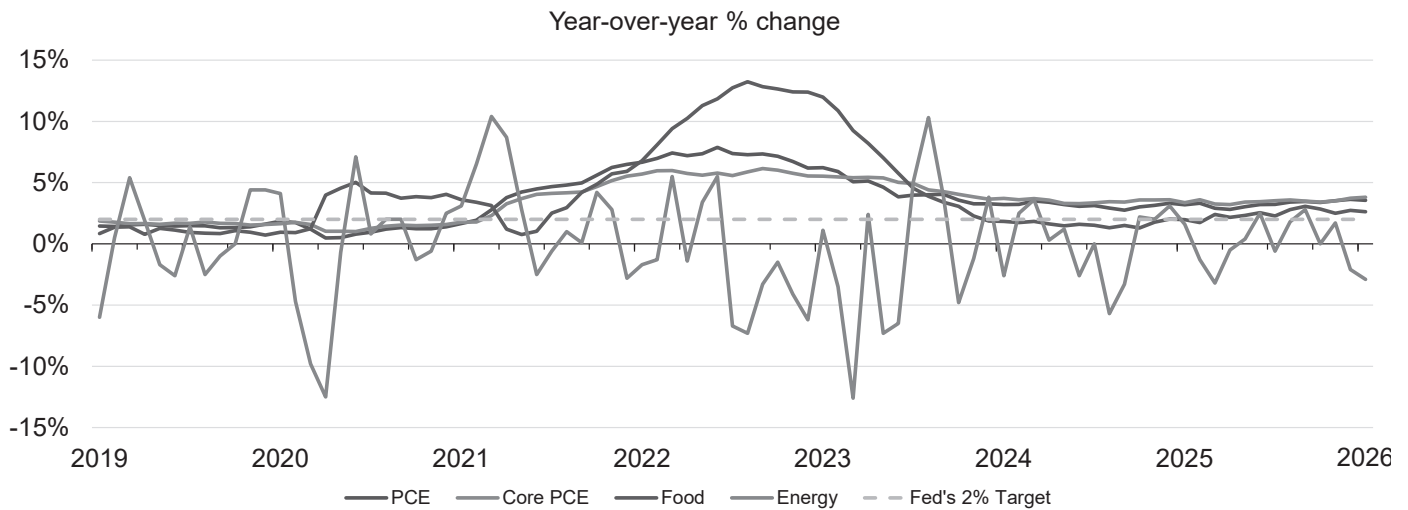


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Source: U.S. Bureau of Labor Statistics via FRED®



# PCE subcomponents

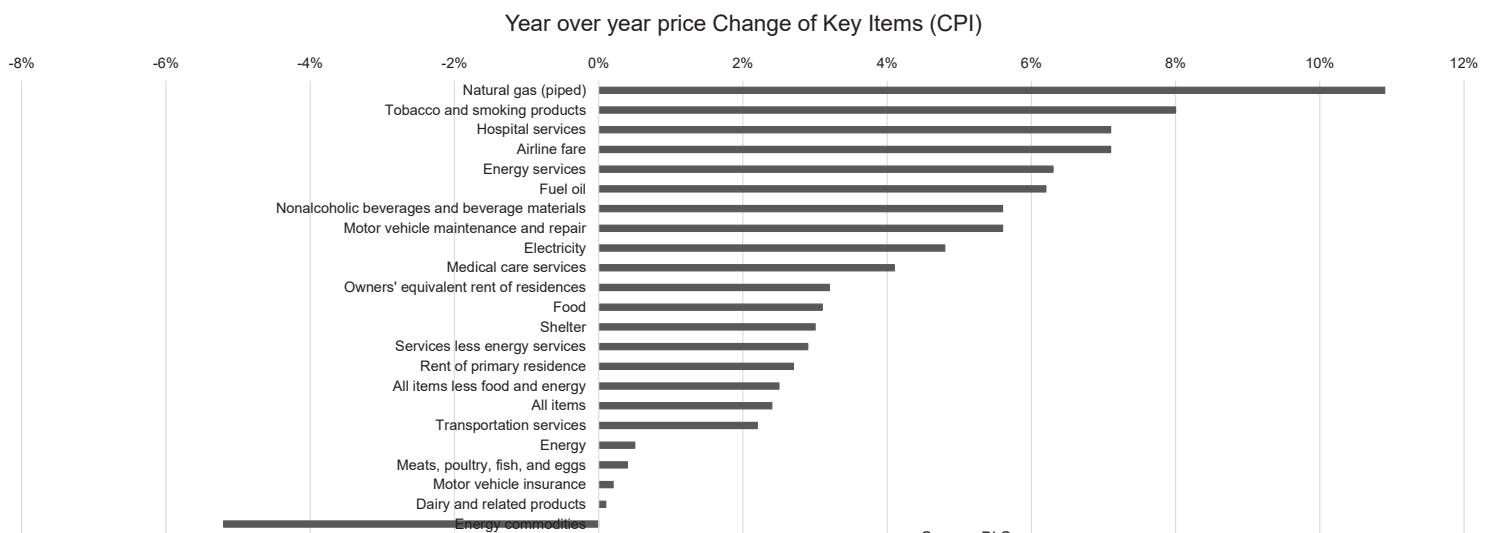


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Source: U.S. Bureau of Economic Analysis via FRED®



# Inflation (the ugly and surprising ones)



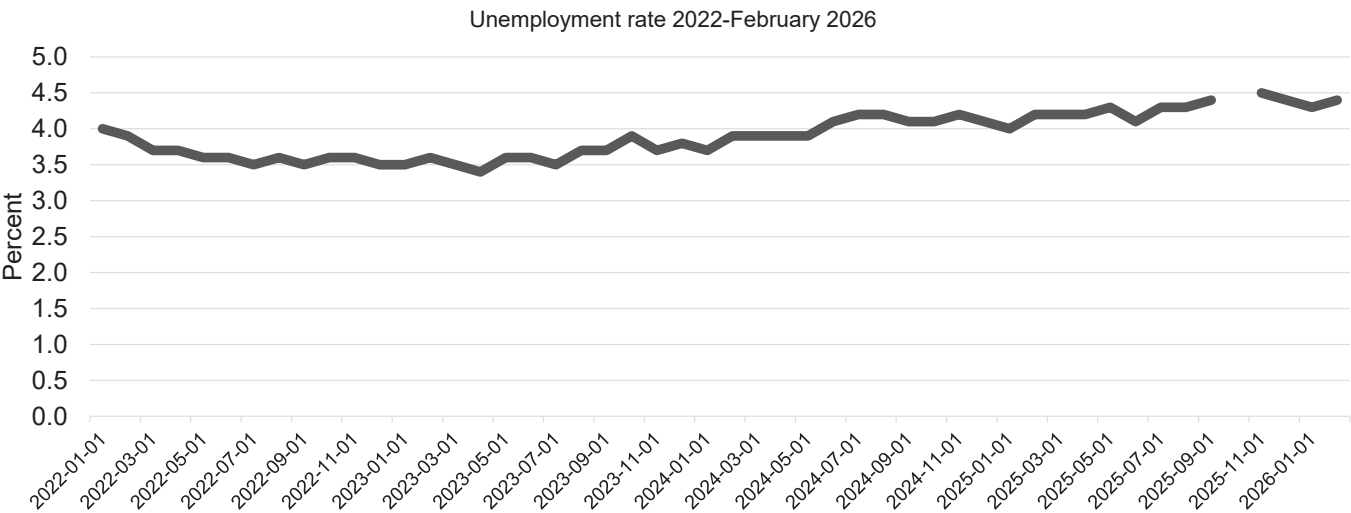
Source: BLS

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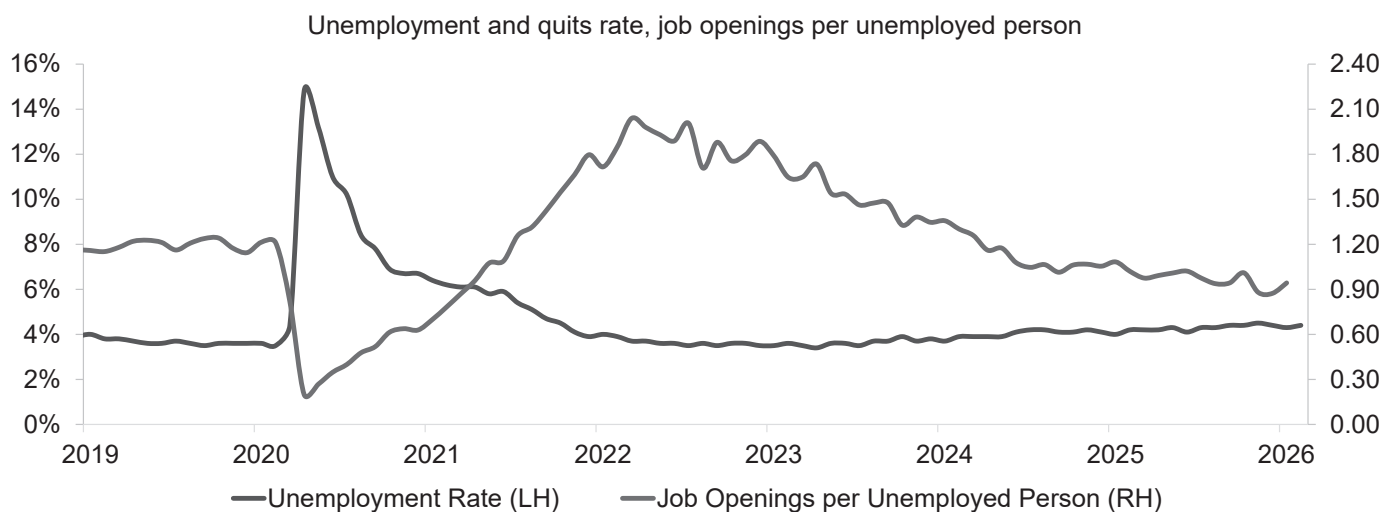


# Labor Market

## Unemployment Rate up Slightly—Where are we Headed?



# Labor demand has broadly eased

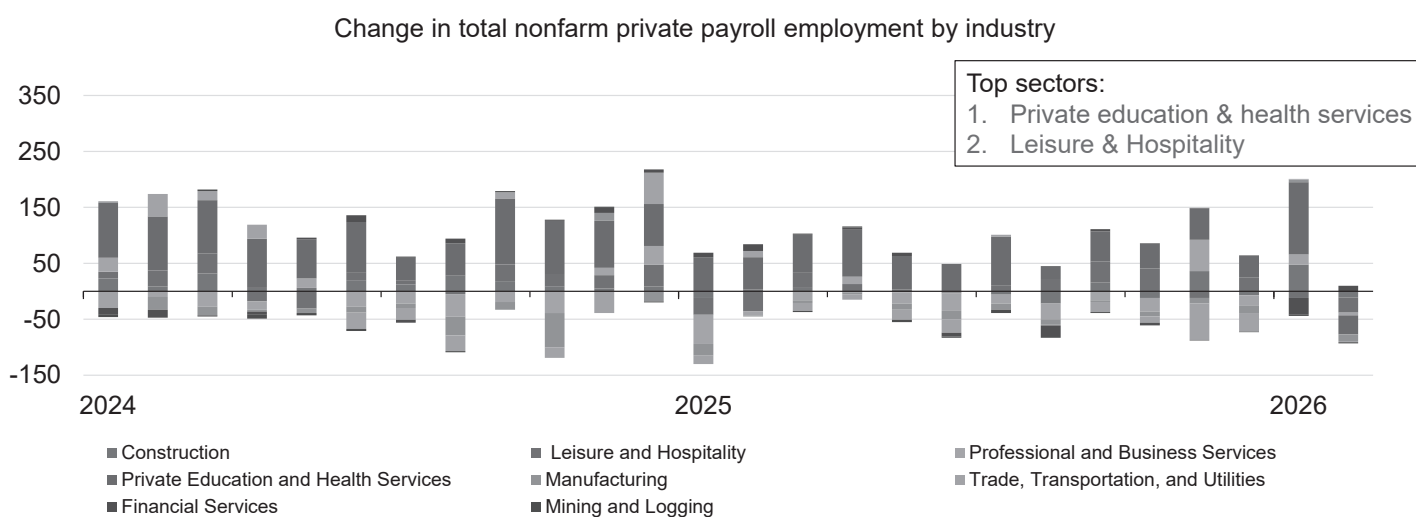


Source: FRED, BLS, Job Openings Labor Turnover Survey

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# Job growth halts



Source: U.S. Bureau of Labor Statistics via FRED®

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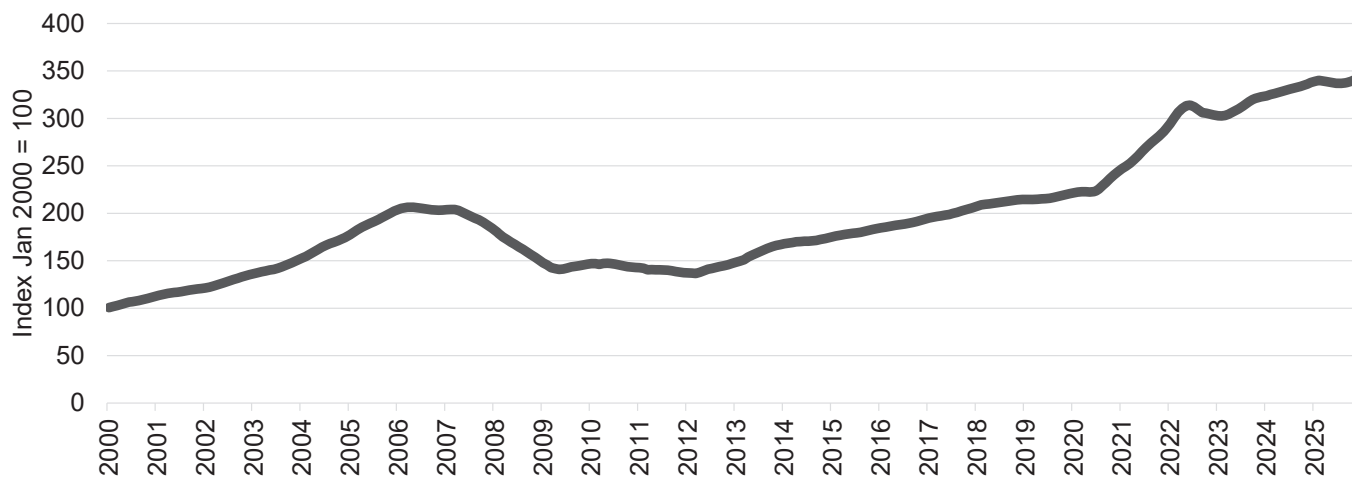
# Housing Market

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## Home Prices

S&P Cotality Case-Shiller 20-City home price index

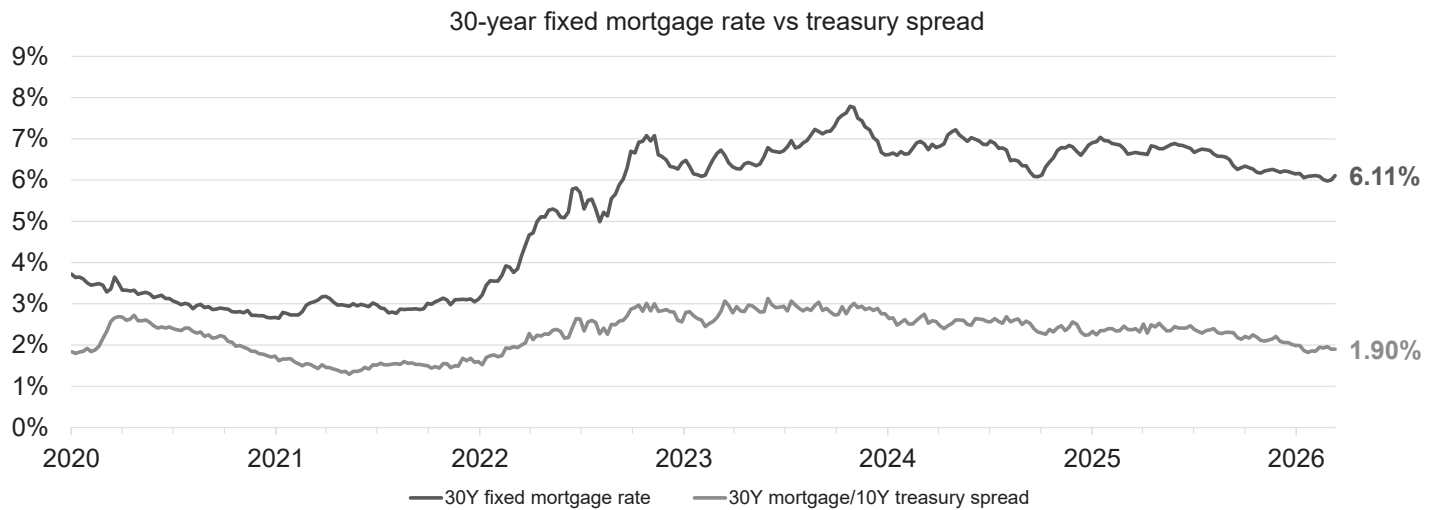


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Source: S&P Dow Jones Indices LLC via FRED®



# Mortgage rates largely declining, but still elevated

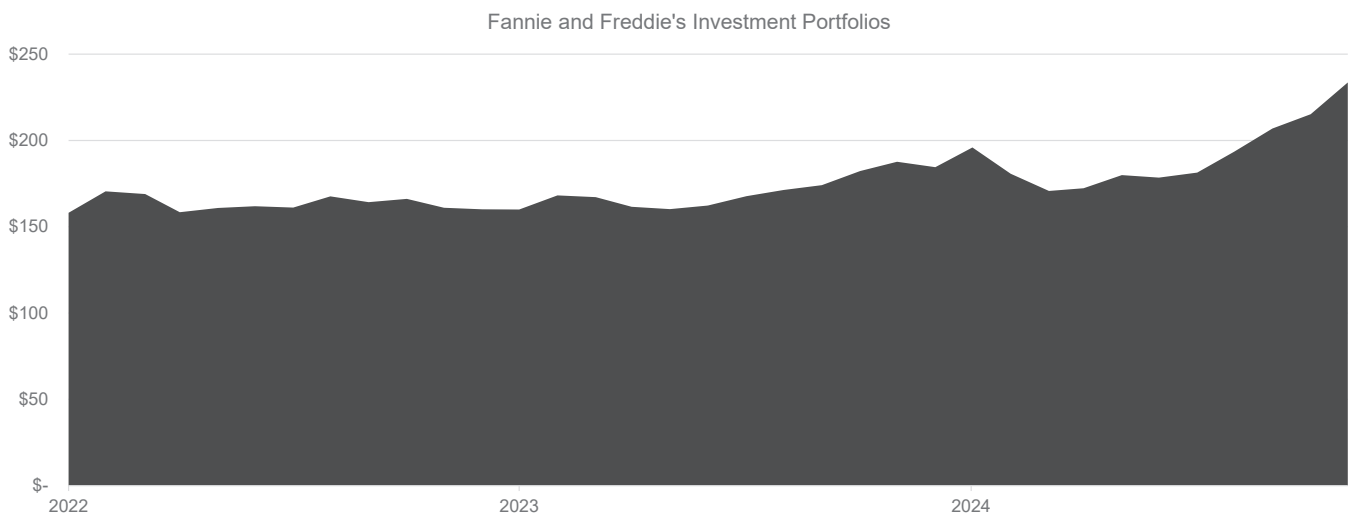


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Source: Freddie Mac, FRED



# Others Step in the MBS purchasing Space



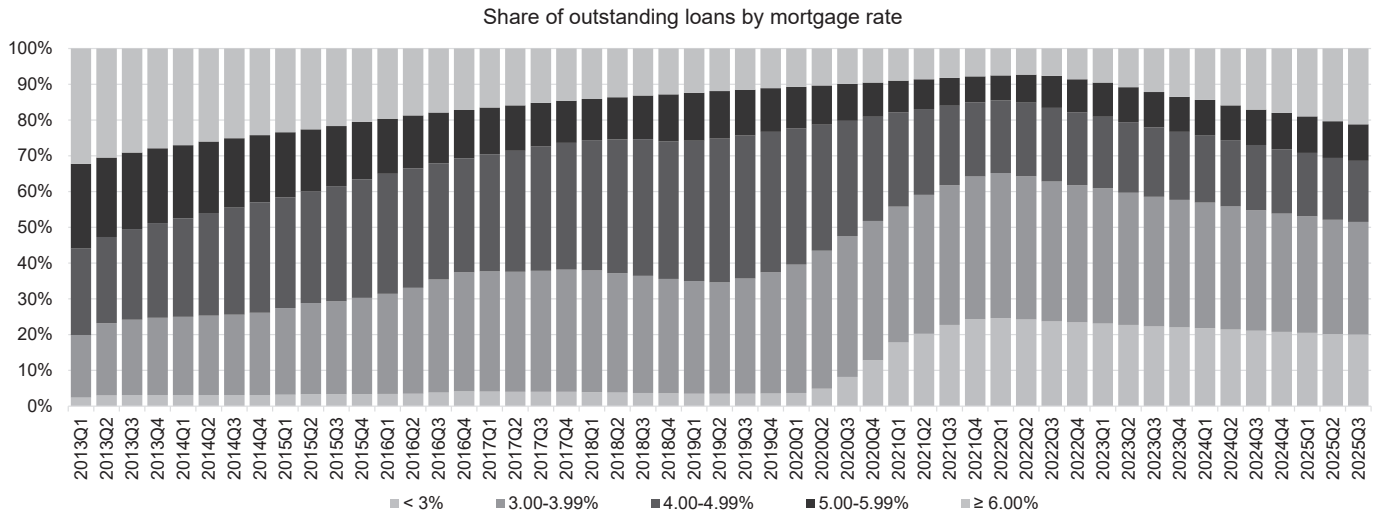
Source: Fannie Mae, Freddie Mac, Citigroup

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# Lock In is Thawing--Slowly

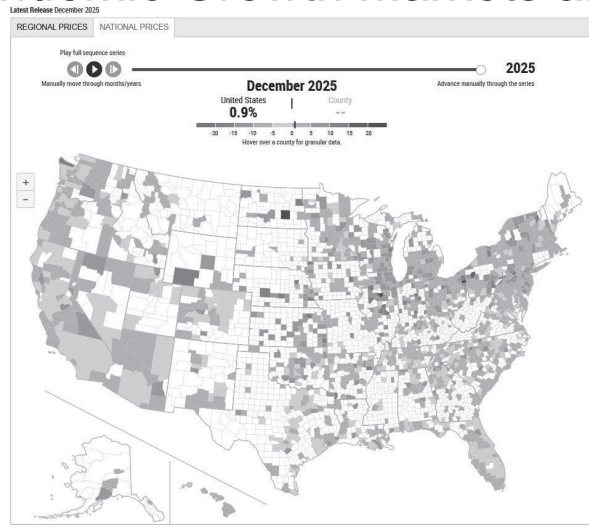


Source: National Mortgage Database

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# Home Price Growth Up Slightly in 2025 Weakness in Pandemic Growth Markets and CA

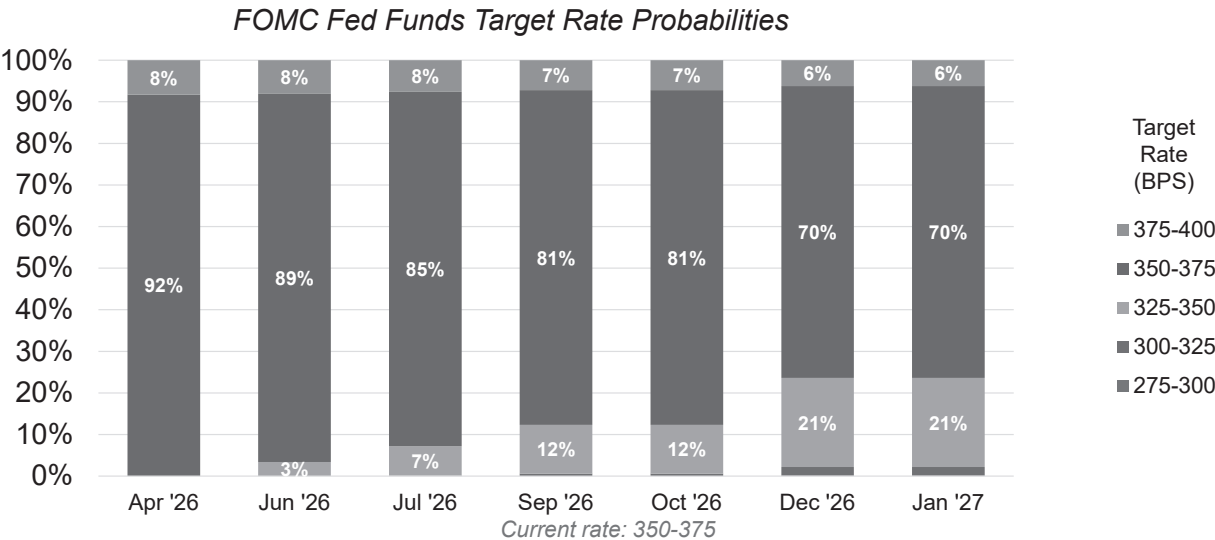


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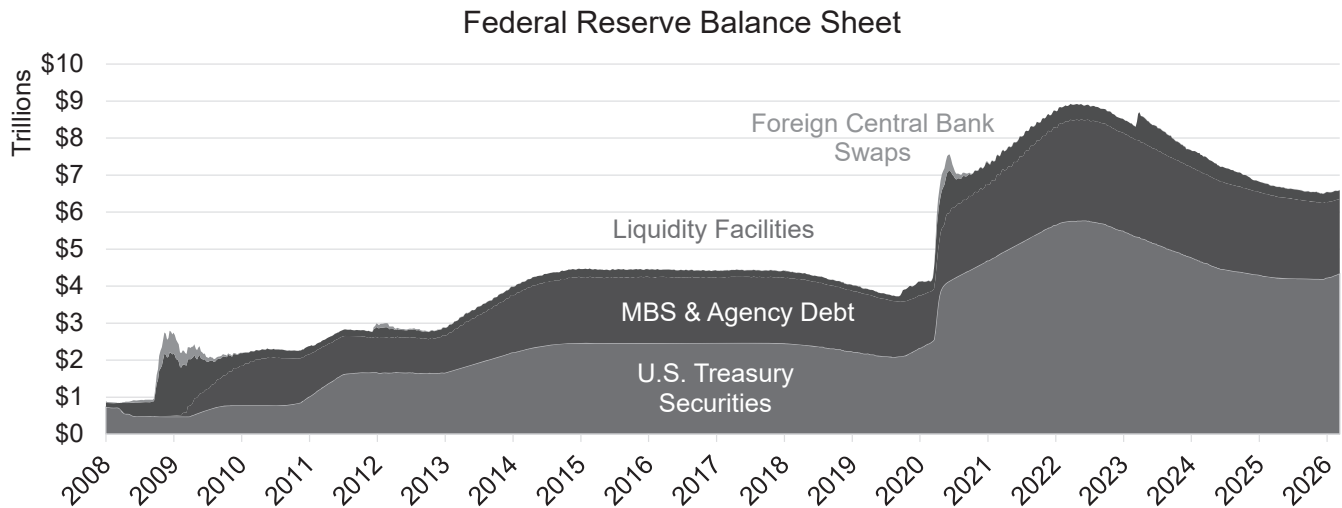


# Interest Rates and Money Supply

## Fed Cut Expectations: Rate Cuts off the Table



## Balance sheet beings to increase—emphasis on “ample reserves”

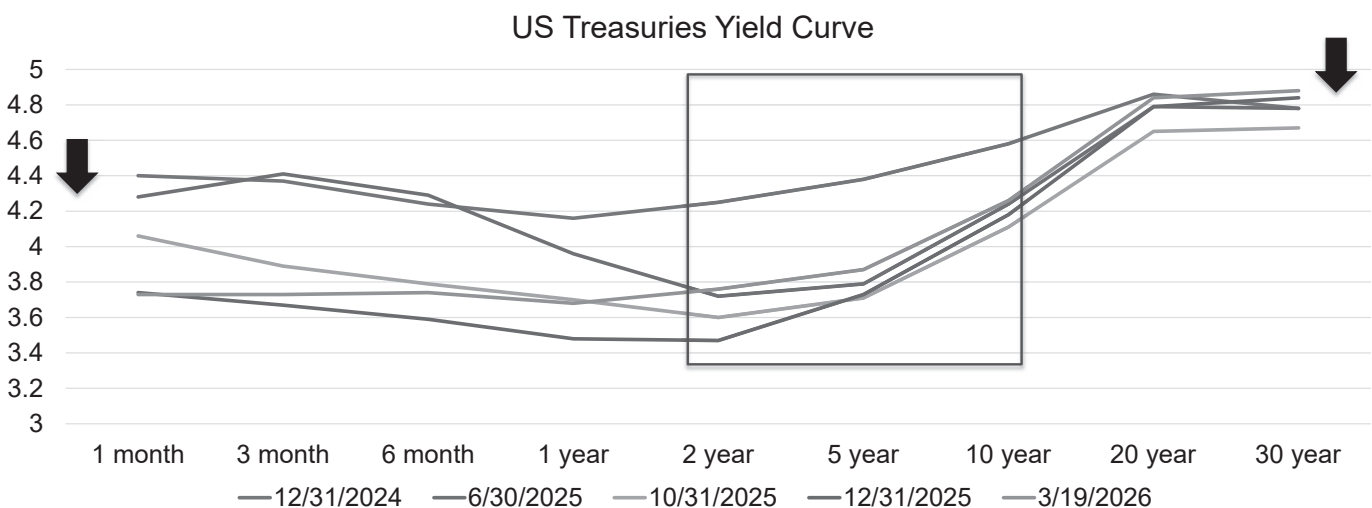


Source: Board of Governors of the Federal Reserve System (US) via FRED®

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## Treasury Yield Curve is Steepening—How does this impact banks?



Source: US Treasury

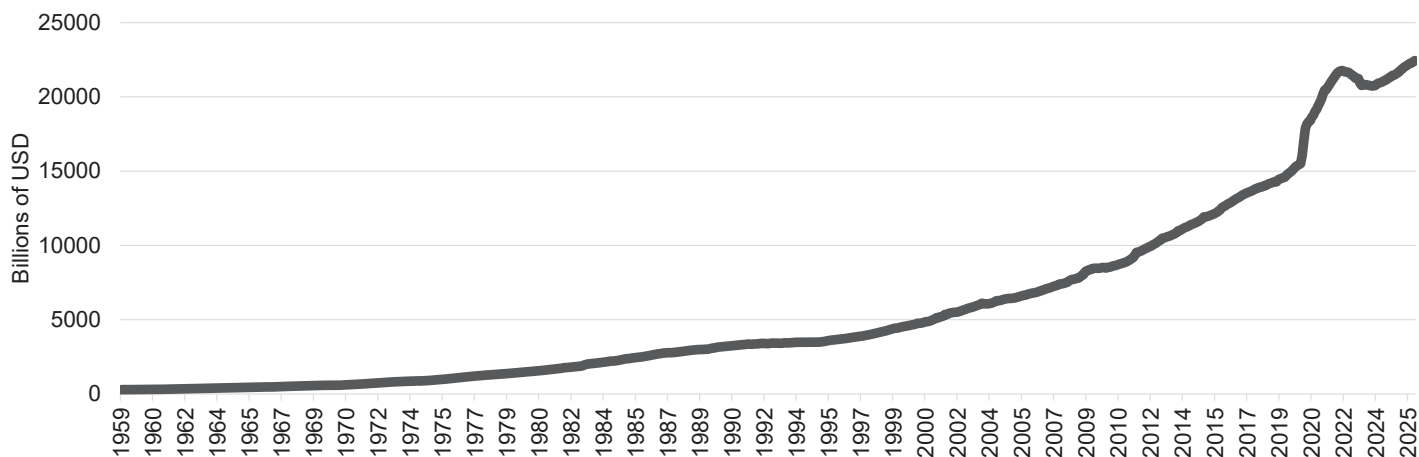
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# Money Supply

## The Power of the (Money) Printing Press

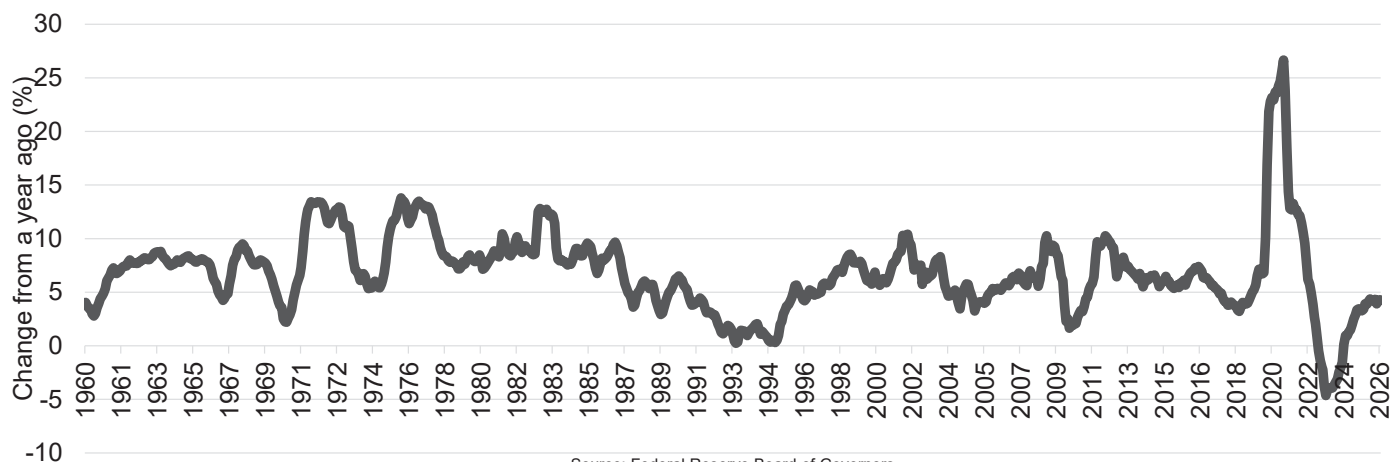
M2 and Components



Source: Federal Reserve Board of Governors

# Money Supply Growth Rate—Return to Historical Norms

Annual Growth Rate in M2



Source: Federal Reserve Board of Governors

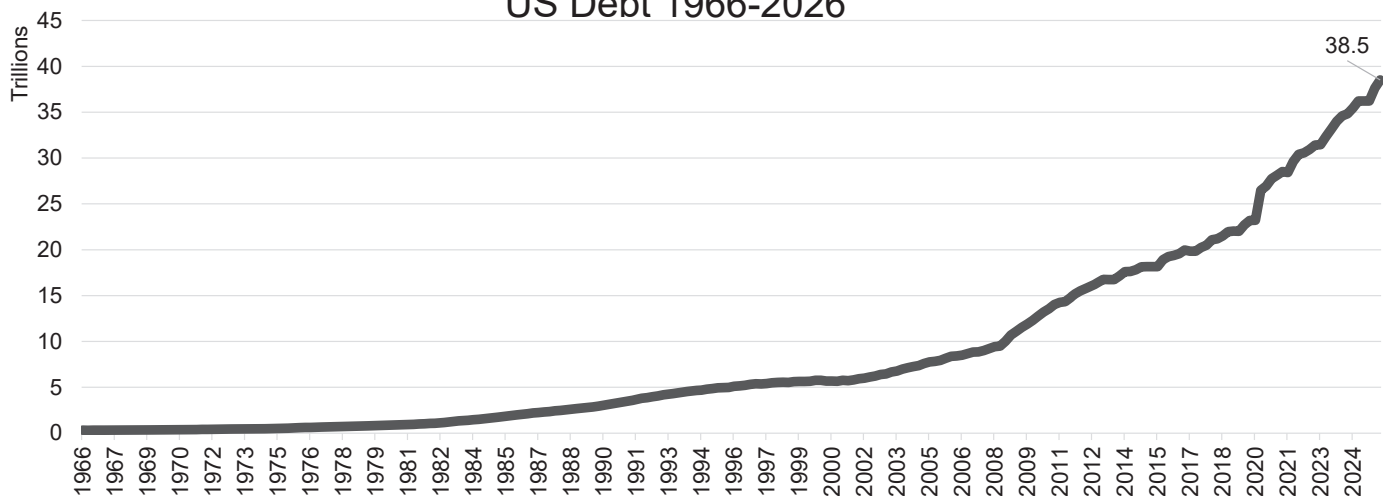
# Federal Debt

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## Relentless Increase in the Federal Debt

US Debt 1966-2026

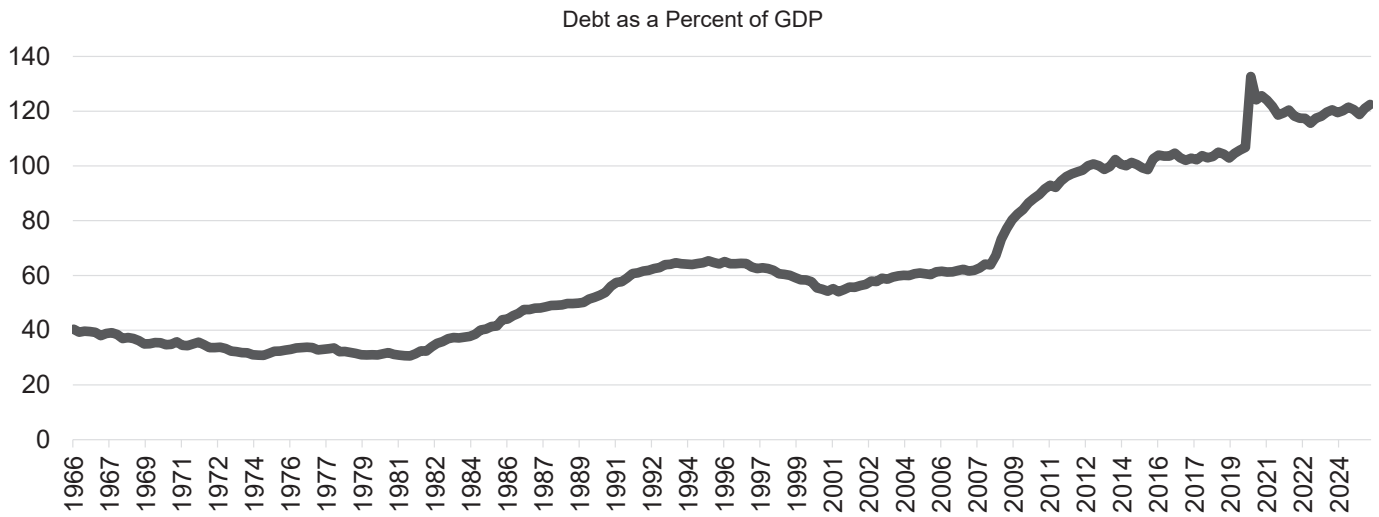


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Source: US Dept of Treasury



# Debt Levels Now Higher than Economic Output—Does it Matter?



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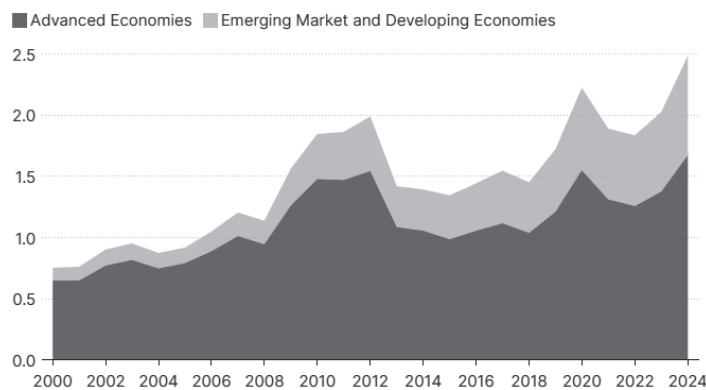
Source: US Dept of Treasury



American Bankers Association

## It does if other countries steer towards other “safe” assets

Chart 1: World gold holdings in foreign reserves, 2000-2024  
Percent of world GDP



Source: Author's calculations based on the External Wealth of Nations database and data from the International Monetary Fund.

Hutchins Center  
on Fiscal & Monetary Policy  
at BROOKINGS

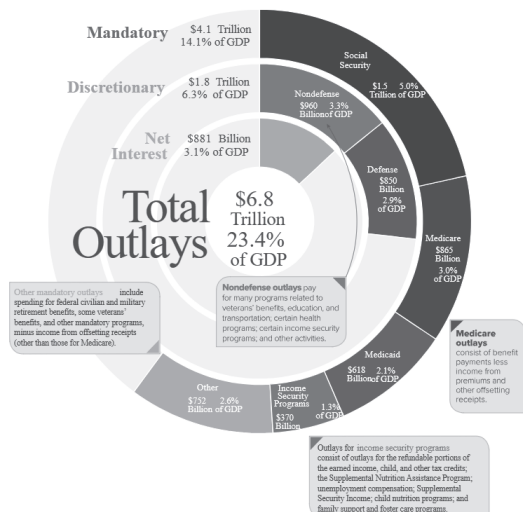
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# 60% of Spending is Mandatory

## Interest Payments Now Roughly in Line with Defense Spending



- Social Security is the biggest line item
  - Social Security's main trust fund will be insolvent by the end of 2032, triggering automatic and painful benefit cuts for everyone relying on the program.
  - Analysts expect cuts in social security payments to be about 28% at this stage for the program's roughly 72 million beneficiaries
- Congressional spending debates largely do not impact the mandatory side of spending
- "Congress knows what it would take" but it would be politically painful

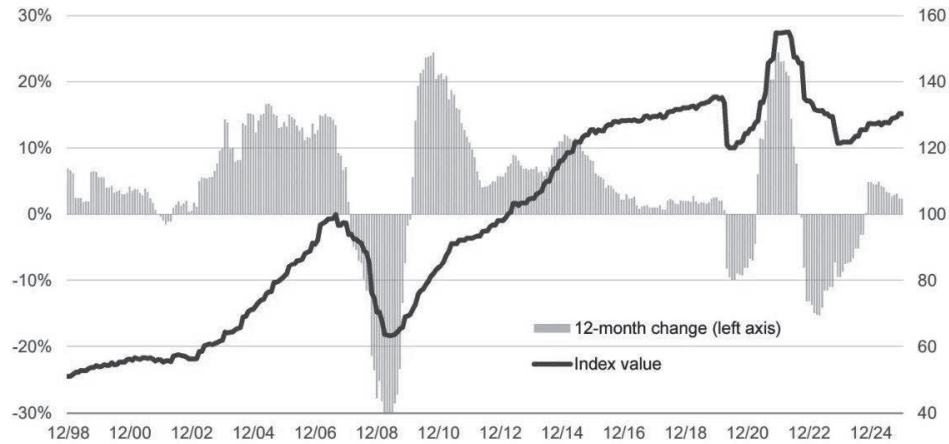
## Bank Balance Sheets: CRE

# CRE Prices Increased Slightly in 2025

## Property Prices Increase 2% in 2025

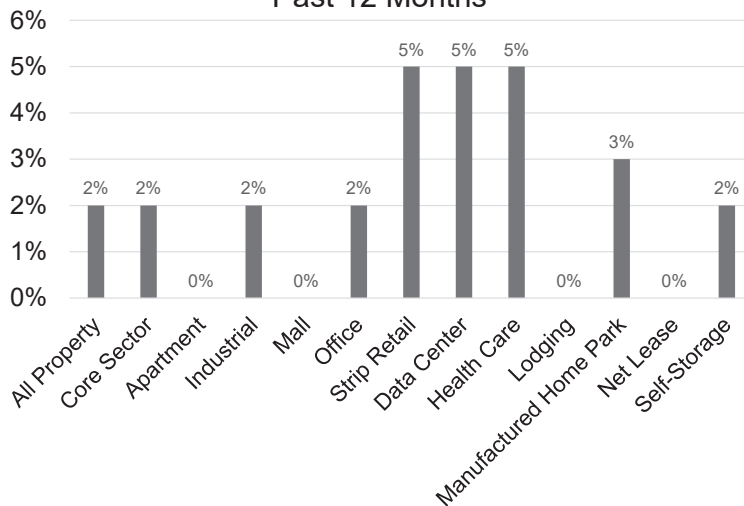
The Green Street Commercial Property Price Index® decreased 0.1% in December. Over the past twelve months, the all-property index has increased 2.3%.

### Green Street Commercial Property Price Index®

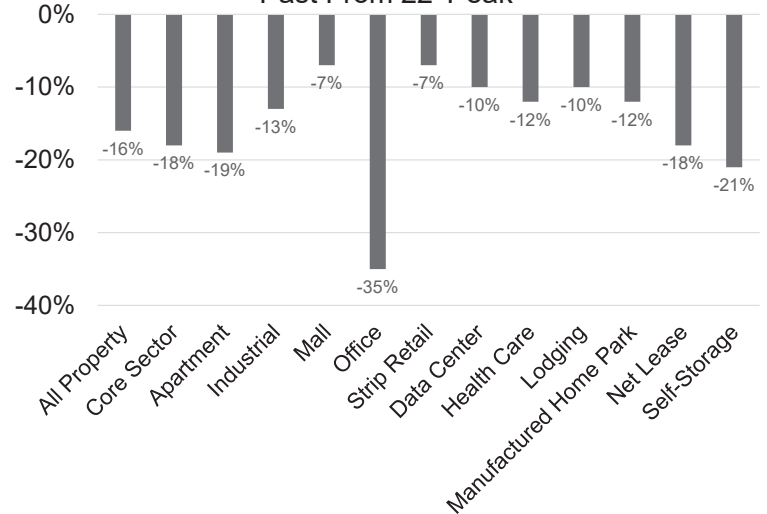


# Damage under the surface—but no declines in 2025

## Change in Commercial Property Values: Past 12 Months



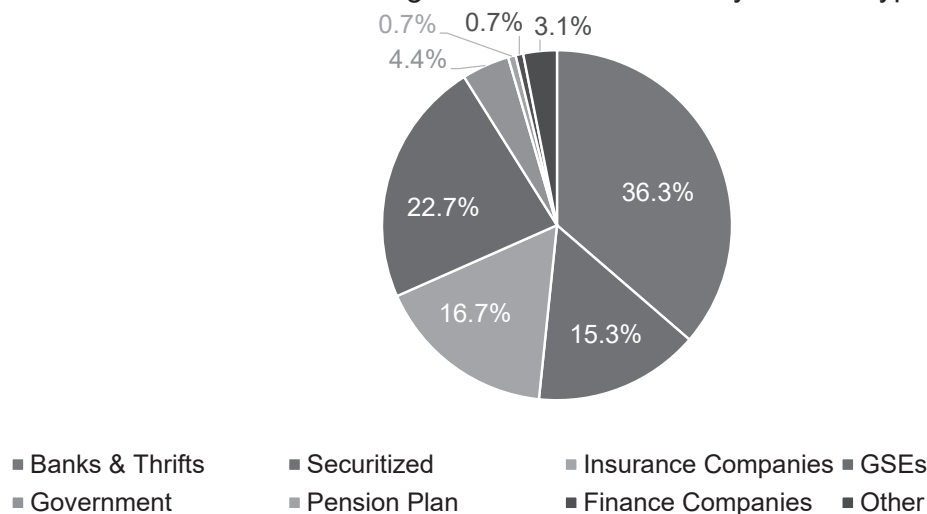
## Change in Commercial Property Values: Past From 22' Peak





# Holders of CRE Debt are Diverse

Share of Total Outstanding CRE Debt Balances by Lender Type Q3 2025



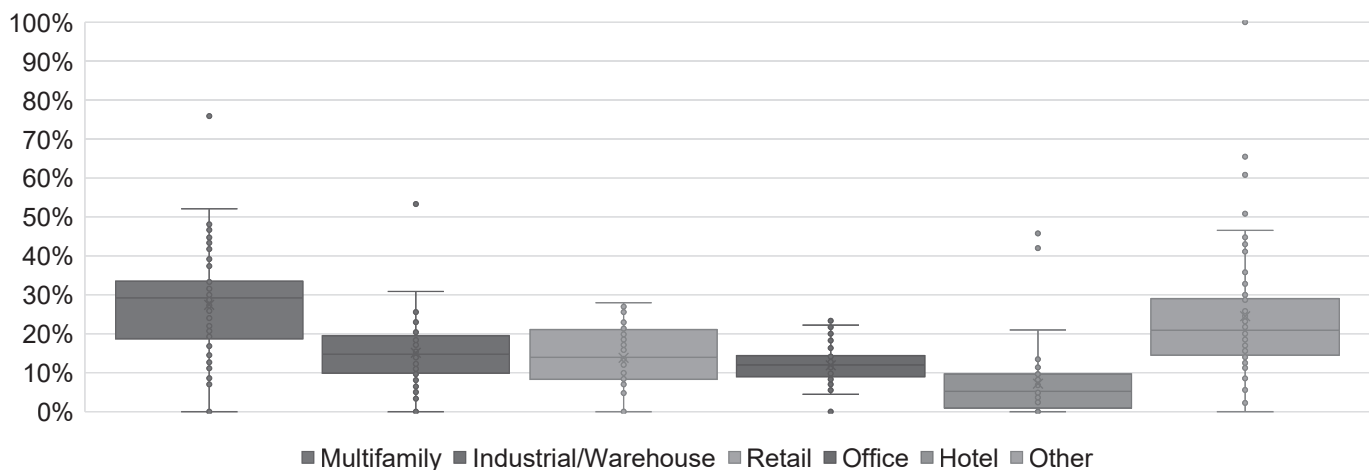
Source: Federal Reserve Board, Financial Accounts of the United States, Release Z.1, September 11, 2025

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# Diversity of banks' CRE exposure

Distribution of Banks' CRE Portfolios, 2025Q4



Source: ABA analysis of bank earnings 2025Q4

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# Maturity Distribution Reflects New Rate Environment

Maturity Schedule (\$ Billions)

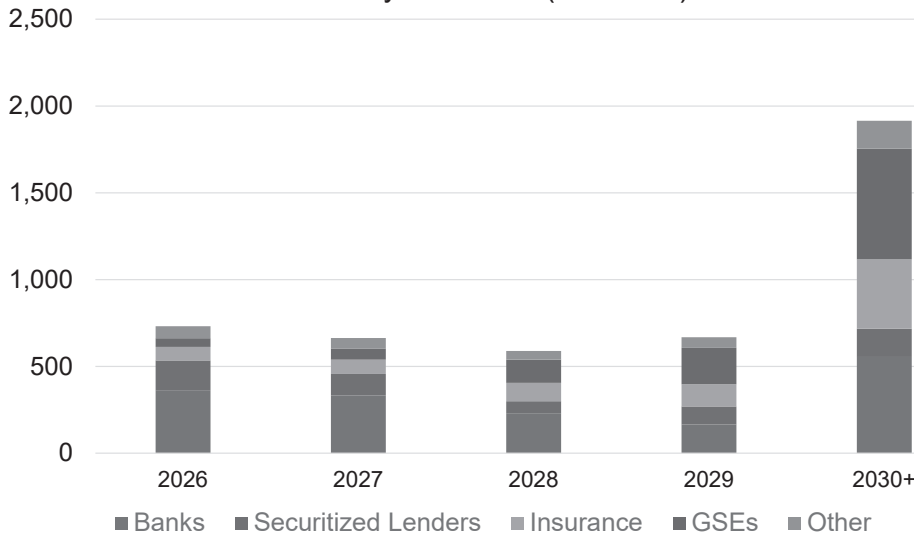


Table 1: Maturity Distribution (%)

Year	Banks	Securitized Lenders	Insurance	GSEs	Other
2025	7.3%	15.0%	2.7%	1.2%	7.8%
2026	20.3%	23.3%	9.7%	4.4%	16.0%
2027	18.7%	16.8%	10.0%	5.9%	13.8%
2028	13.0%	9.2%	12.9%	12.1%	11.4%
2029	9.4%	13.8%	15.7%	18.9%	14.0%
2030+	31.3%	21.8%	49.0%	57.5%	36.9%

Source: Trepp

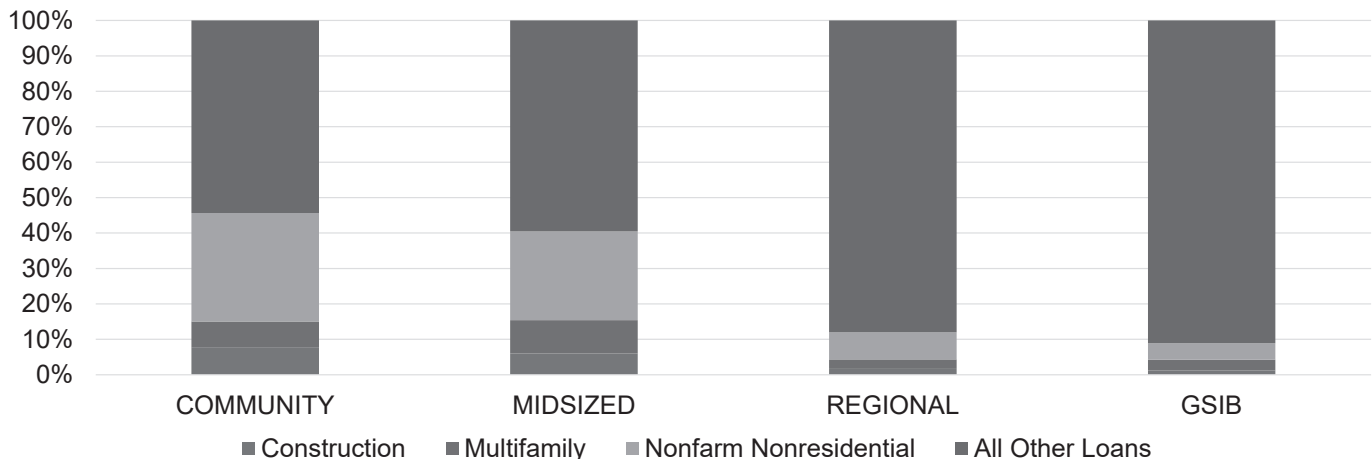
Table 2: Maturity Schedule (\$ Billions)

Year	Banks	Securitized Lenders	Insurance	GSEs	Other	Total
2025	\$128.5	\$112.4	\$22.1	\$13.1	\$34.0	\$310.2
2026	\$359.4	\$174.3	\$79.0	\$49.1	\$69.7	\$731.6
2027	\$331.5	\$125.3	\$81.4	\$65.3	\$60.0	\$663.4
2028	\$230.7	\$68.9	\$105.6	\$133.8	\$49.8	\$588.7
2029	\$166.0	\$103.4	\$128.1	\$209.6	\$61.1	\$668.2
2030+	\$553.8	\$163.3	\$399.9	\$637.3	\$160.4	\$1,914.7
Total	\$1,769.9	\$747.5	\$816.1	\$1,108.3	\$434.9	\$4,876.8

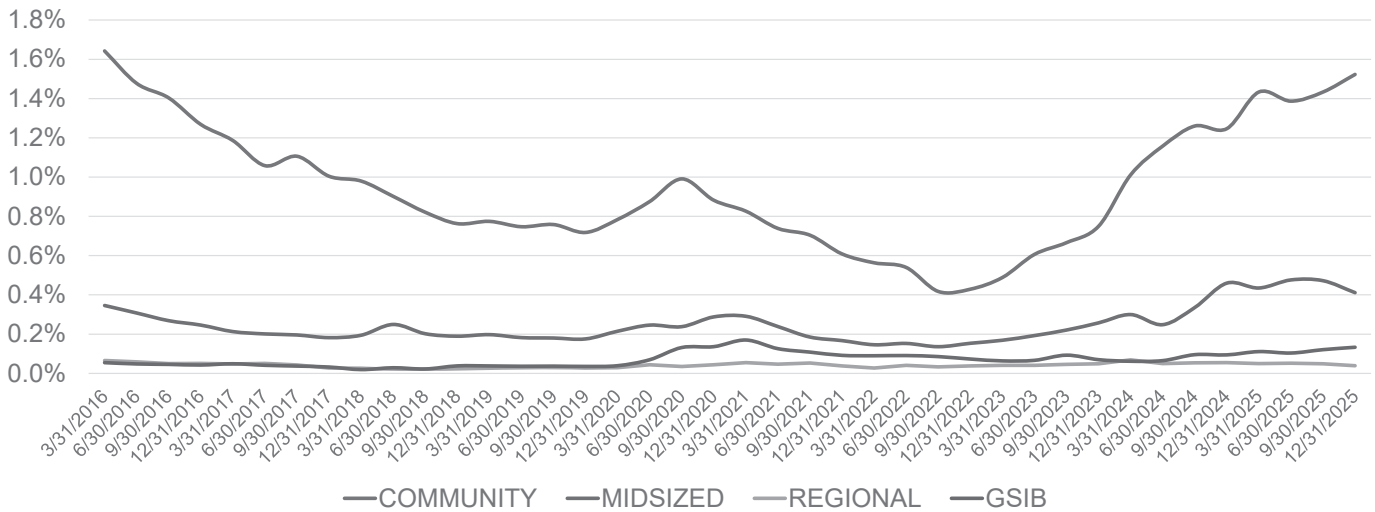
Source: Trepp, Federal Reserve Board, Financial Accounts of the United States, Release Z.1, September 11, 2025, Table L.279 and L.220

## Bank CRE Metrics

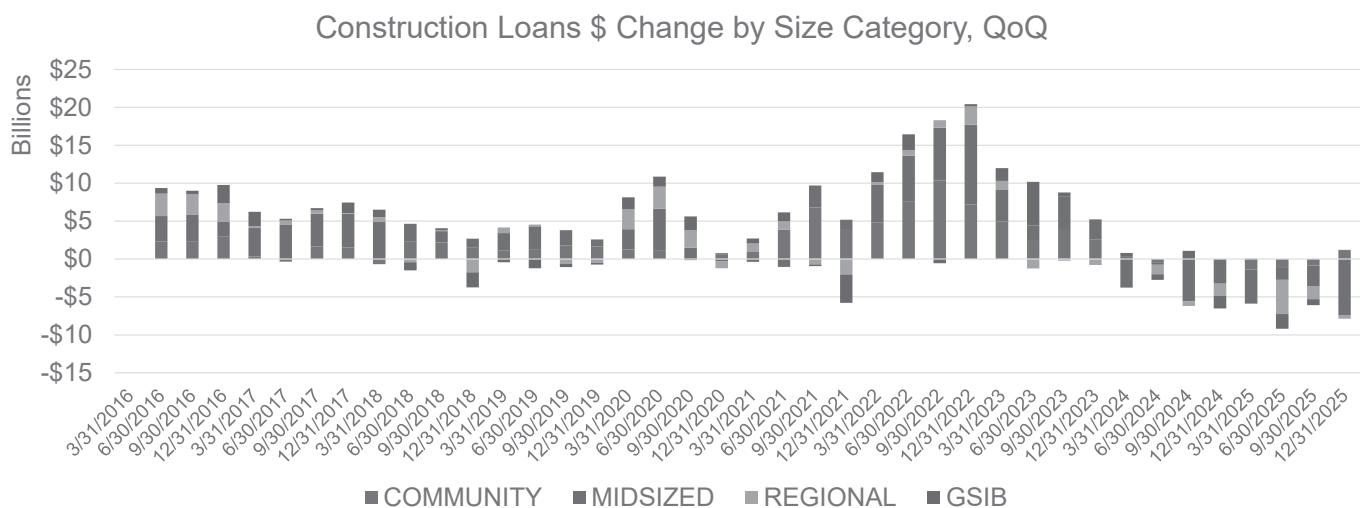
Construction, Multifamily and Nonfarm Nonres Holdings by Size Category



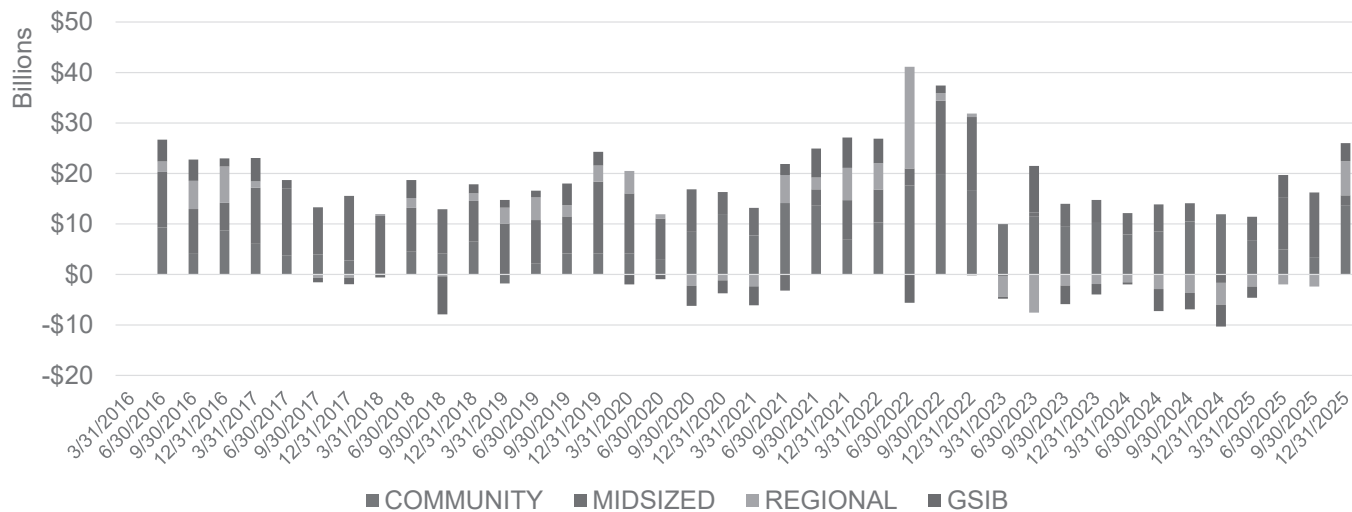
## Recall, Community Bank CRE Delinquencies are Low Noncurrent Rate – Construction (GFC peak was 16.8%) (by asset size)



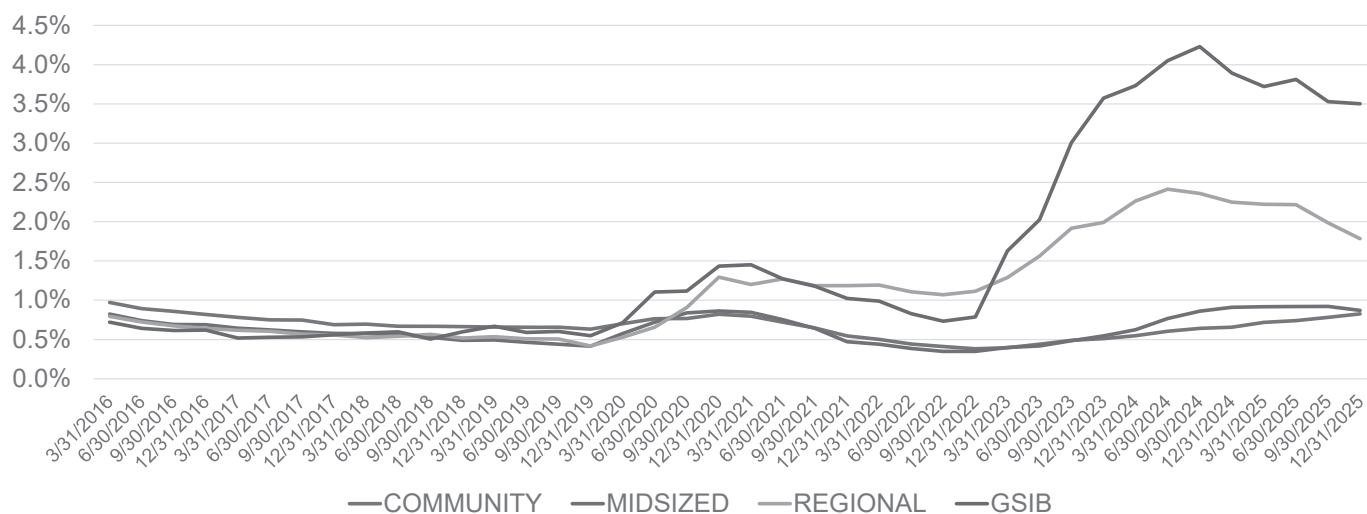
## Construction lending continues decline across banks of all sizes



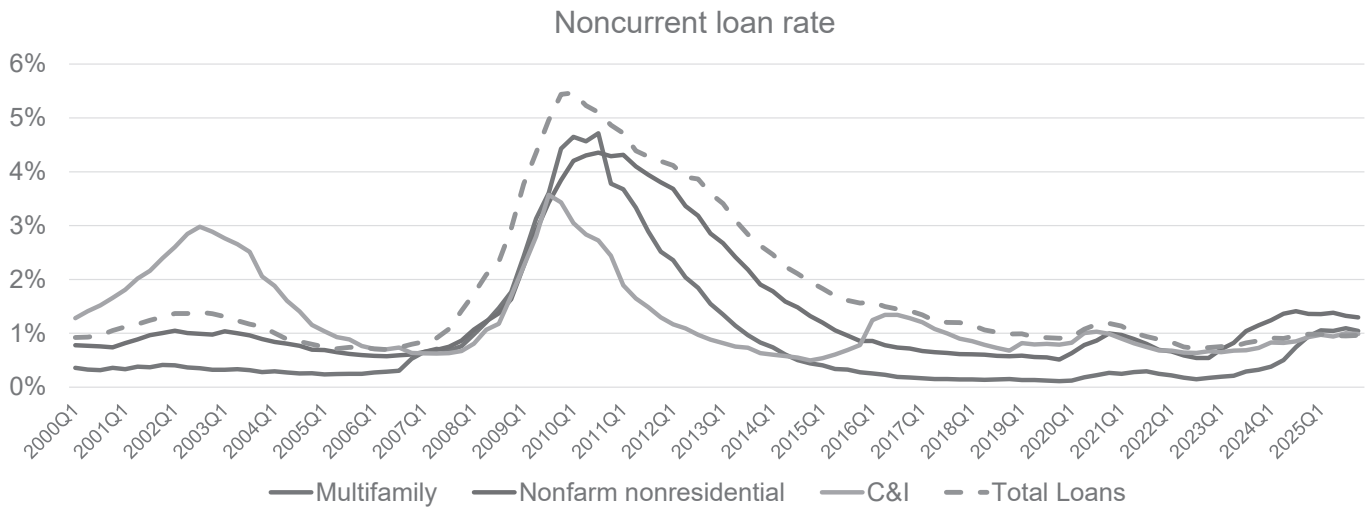
## CRE lending remains healthy



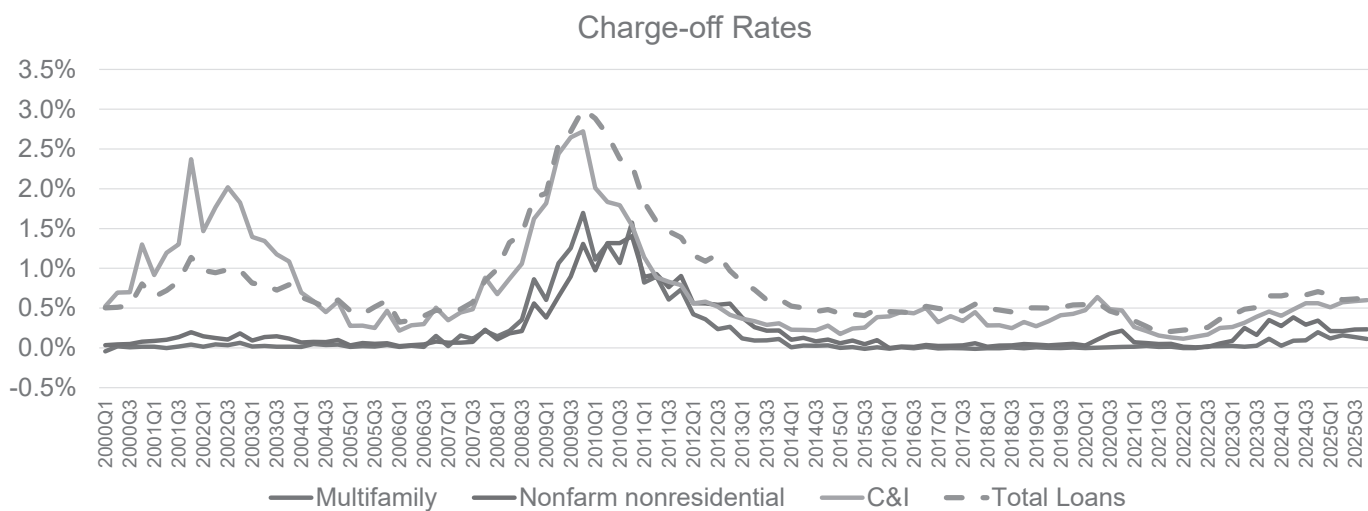
## Noncurrent Rate – CRE (by asset size)



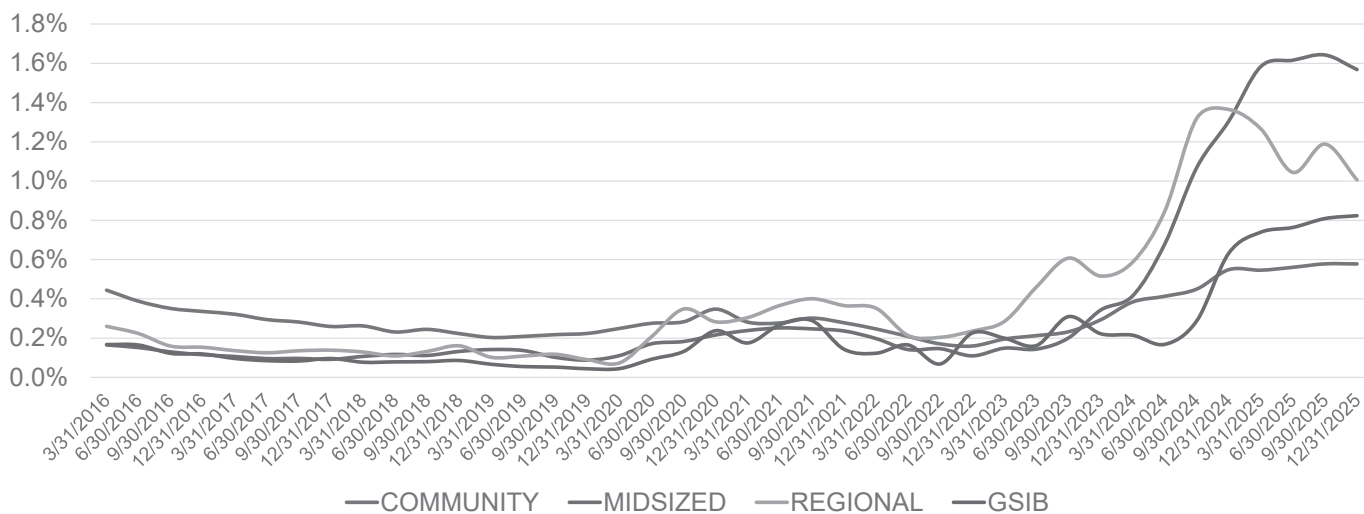
## Noncurrent loan rates by CRE category



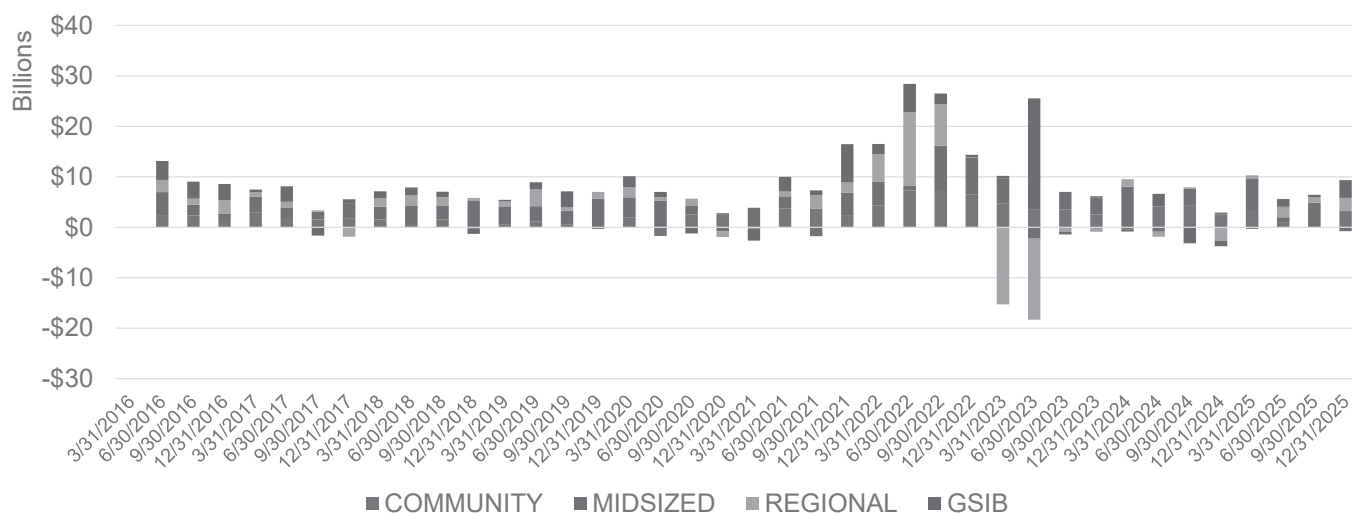
## Net charge-off rates by CRE category



## Noncurrent Rate – Multifamily (by asset size)

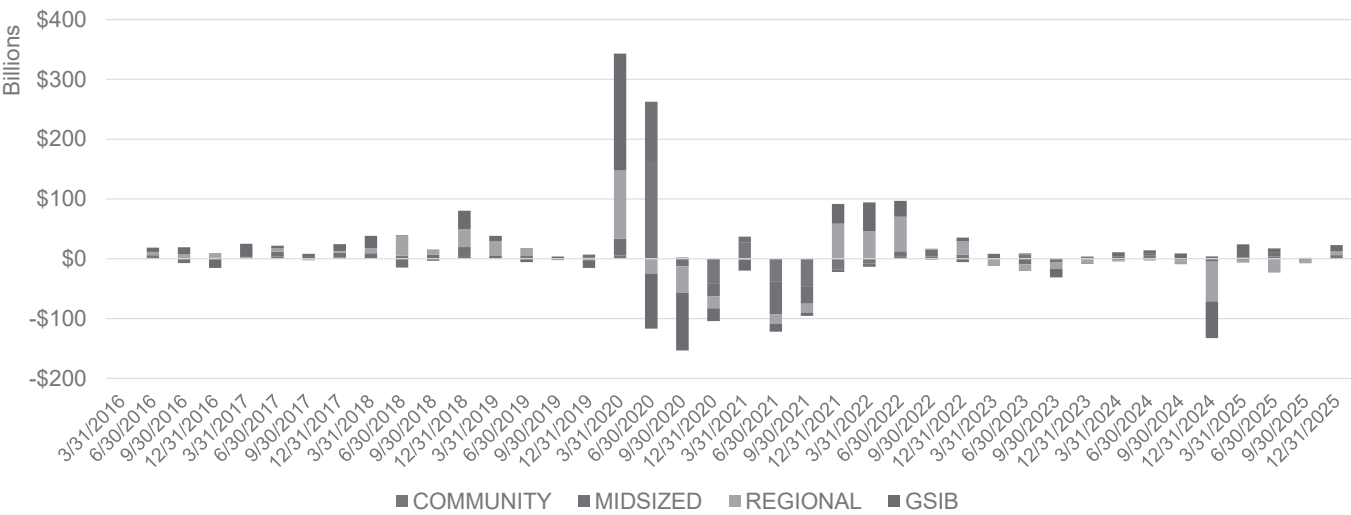


## Multifamily lending remained strong in recent years

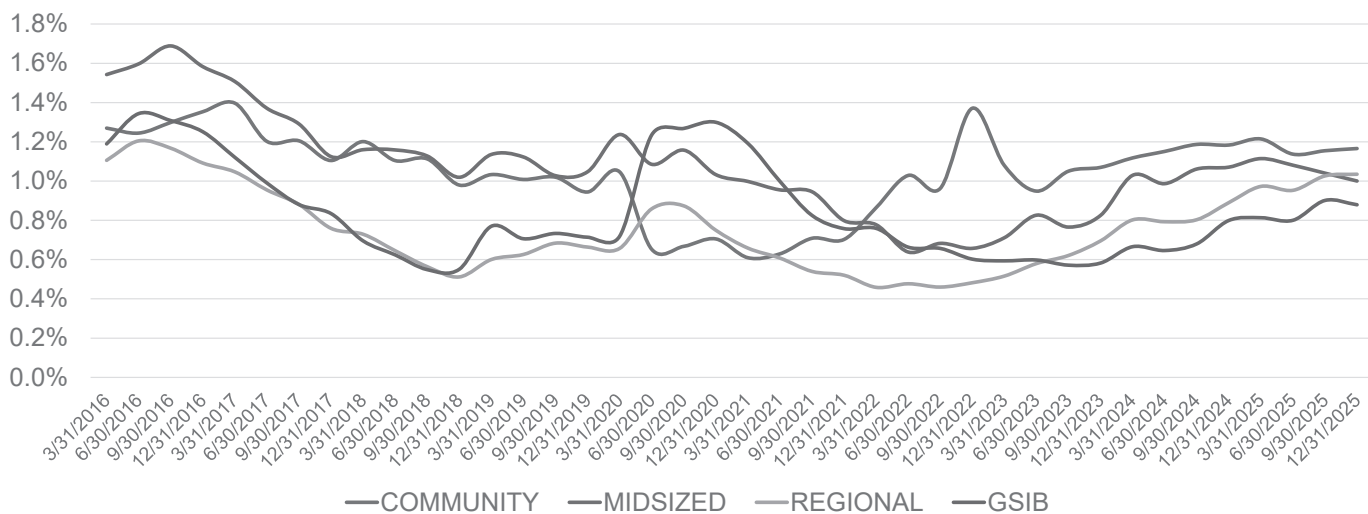


# Bank Balance Sheets—C&I

## C&I lending stable in 2025Q4



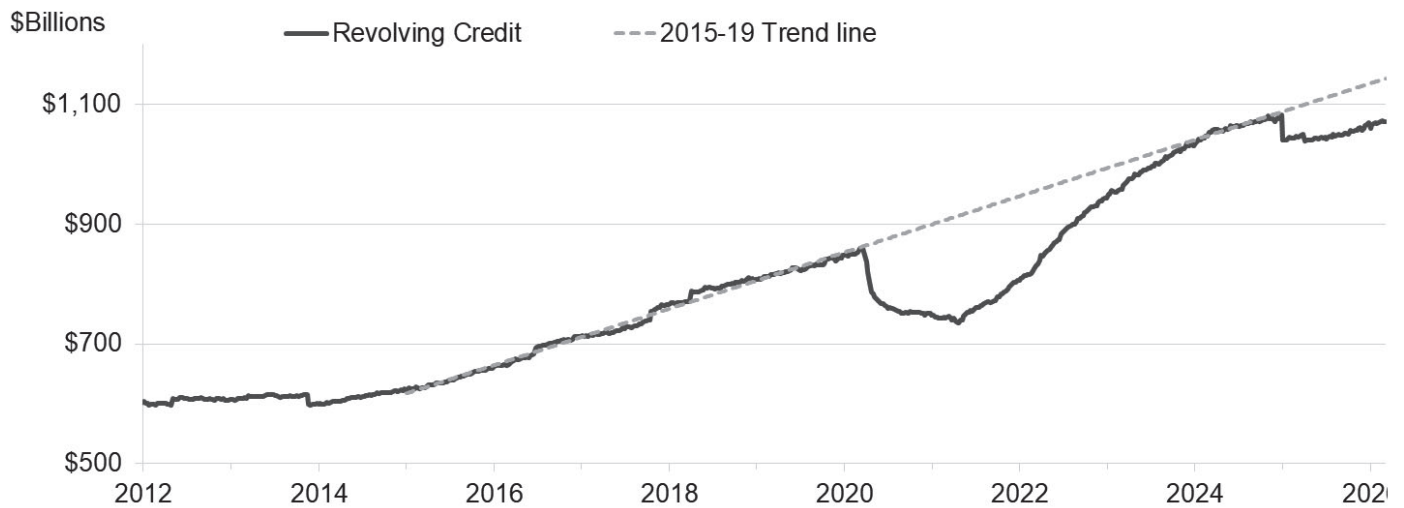
## Noncurrent Rate – C&I (by asset size)



## Bank Balance Sheet—Credit Cards



# Revolving consumer credit below trend



Source: Board of Governors of the Federal Reserve System (US) via FRED®