

Hi Bank Slaters!

Another week is in the books. Congratulations making it to the weekend.

Brace yourselves – today we're discussing how inflation and higher interest rates could impact consumer spending, lending and credit quality. I recently discussed in a [Forbes Finance Council article](#) how rising rates is affecting mortgage lenders' decisions, but the time is right for a deeper dive.

Consumer prices rose by an [astounding 9.1% in June](#) from a year earlier – a 40-year high – causing the average American to spend roughly \$460 more last month than they did last summer, according to Moody's Analytics.

Inflation has led the Fed to get aggressive with interest rates, including a 75-basis-point hike earlier this month. There is speculation the Fed could opt for an unprecedented 100-basis-point increase in light of the June data.

That could be a big blow to consumers who are dealing with a higher cost of goods.

While spending has by and large held up, consumers are feeling more pessimistic. The [Consumer Price Index](#) fell by 14% in June from May and by 42% from a year earlier, to 50. This will eventually translate into a reduced appetite for discretionary spending.

Remember the \$460 increase in year-over-year spending referenced earlier? Think about that in the context of a Fed report in late 2020 that found that more than a third of Americans could struggle with an unexpected expense of \$400.

Such strain could make it harder for consumers to pay on mortgages, home equity lines, auto loans and credit cards. It could lead to an overreliance on credit cards and Buy Now Pay Later when it comes to paying for groceries, gas and other essentials.

And consumer strength is weakening. About 53% of credit card borrowers told LendingTree in June that they were confident they could pay their next statement in full. That compares to 63% in May.

Finally, the Fed's aggressive stance should draw attention to adjustable-rate loans. Hopefully a large percentage of the population locked into low fixed-rate loans, but those who didn't will face higher debt service on top of higher day-to-day expenses.

What's next? That's anyone's guess.

Most articles I've read suggest that the next three quarters will be telling when it comes to credit. There is growing talk of a mild recession by the end of this year as well. Energy costs will also factor into the equation as fall rolls into winter.

What are your thoughts? Reach out to me at info@thebankslate.com.

Let's roll through the headlines.

M&A

- Stilwell Partners is [pressing Peoples Financial](#) in Mississippi to "explore all possibilities to maximize shareholder value." In activist investor speak, that often means looking to sell the company.
- Citizens Financial Group in Rhode Island [agreed to buy select assets and liabilities](#) of Paladin Advisors in New Hampshire in deal expected to close in the third quarter. The price wasn't disclosed.
- Sword Financial in Wisconsin [agreed to buy](#) Community Bancshares of Wisconsin in a deal expected to close in the fourth quarter. The price wasn't disclosed.

Arrivals/Departures

- The Council of Federal Home Loan Banks hired Ryan Donovan as its [next president and CEO](#), effective Sept. 6. Donovan, who previously served as chief advocacy officer at the Credit Union National Association, will succeed John von Seggern, who retired last month.
- Jill Castilla, president CEO of Citizens Bank of Edmond in Oklahoma, [joined the board of trustees](#) at Hawaii Pacific University.
- Citadel Credit Union in Pennsylvania will launch a business banking division in August after [hiring a team](#) from Santander Bank.
- Lakeland Bancorp in New Jersey [expanded its health care lending services](#) to four new states.
- The ICBA [hired Anne Balcer](#) as its executive in charge of chief government relations and public policy. She previously served as general counsel and internal auditor at Forbrite Bank in Maryland.

(Fin)tech

- Apiture, a North Carolina company that produces software for community banks, [raised \\$29 million in](#) a fundraising round led by Live Oak Bancshares.
- Amber Buker, previously director of insights at Alloy Labs Alliance is [leading an effort to form Totem](#), a digital bank for indigenous people.
- Bankers Helping Bankers [launched the Bankers Helping Bankers Fund](#), a fintech VC fund that will help community bankers' engage with emerging technology providers.

Odd & Ends

- Bank of America in North Carolina was [fined a total of \\$225 million](#) by the CFPB and OCC for practices tied to its prepaid card program for disbursing unemployment benefits in California.
- A dispute among Vernon Hill, Republic First Bancorp and the Philadelphia company's investors is [ongoing](#). Hill, who will leave Republic First next month, claims the company owes him at least \$2.5 million. An investor group wants the board to appoint a committee to investigate Hill's dealings.
- The FDIC [gave conditional approval](#) for deposit insurance for Texas Traditions Bank. Organizers, who initially [filed with the FDIC in January](#), will need to raise about \$35 million before the bank can open.
- Wilson Bank Holding Tennessee, formed Encompass Home Lending, a [mortgage joint venture](#), with Celebration Homes and Willow Branch Homes.
- Pinnacle Financial Partners in Tennessee joined [the expanding list of banks](#) that are [cutting and eliminating](#) overdraft and nonsufficient funds (NSF) fees.
- Amerant Bancorp in Florida became the [official bank of the Miami Heat](#). Financial terms were not disclosed.
- Synovus Financial in Georgia and Verdant Commercial Capital in Cincinnati formed Synovus Equipment Leasing, an [equipment finance business](#) that will offer financing to the bank's customers.

- Gate City Bank in North Dakota [will pay \\$5.5 million](#) to settle claims it breached its contract with depositors over overdraft and nonsufficient funds (NSF) fees.
- Organizers of New Canaan Bank in Connecticut [received approval](#) from the state's banking regulator. The group still needs approval from the FDIC.

We covered a lot ground last week. Pace yourself over the weekend. Hydrate and take care!

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